

Municipal Affairs

Annual Report
2016–17





**Municipal Affairs
Communications**

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Municipal Affairs contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- the financial statements of entities making up the ministry, including the Department of Municipal Affairs and provincial agencies for which the minister is responsible;
- other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and
- financial information relating to trust funds.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2017, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 6, 2017 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Shaye Anderson
Minister of Municipal Affairs

Message from the Minister

Making life better for everyday Albertans through stronger communities



Our government has made it clear: our overall goal is making life better for everyday Albertans. As part of that goal, we understand the communities you call home are central to your wellbeing. For everyday Albertans, it is that daily life with our families, friends and neighbours that is the consistent measure of happiness.

That's why everyone at Municipal Affairs is so dedicated to making Alberta's communities stronger. Through governance, guidance, and a wide range of supports, we are focused on making contributions that will have a positive and lasting impact at the local level.

Over the past year our ministry has made significant progress in helping to address local priorities, foster regional collaboration, and advance public safety. In all this, we recognize co-operation and partnership are keys to success. We both serve Albertans and work together with them to improve communities across this province. As such, we acknowledge the achievements noted in the 2016-17 Annual Report are also a reflection of our many municipal partners, numerous community organizations, and groups dedicated to making our lives safer.

We also recognize, with leadership comes great responsibility and challenges. In 2016-17 we faced one of the most difficult situations our province has seen in years – the wildfires that ravaged the Fort McMurray area last spring. Responding to that disaster, we marshalled a full-scale co-operative approach to a complex emergency response and today we continue to support those recovery efforts. We know it's been difficult for those directly affected, and we were all humbled by "the Beast" that was one of Canada's most significant disasters on record. We will take forward what we have learned to make us stronger and better prepared for future emergencies.

The foundation of our strength as a province, and extending to every community, is also in the effectiveness of our legislation. From the over-arching modernization of our *Municipal Government Act* to the timely adoption of improved safety codes, and the introduction of builder licensing, we are reinforcing the structure of good governance to better serve Albertans.

And while we build upon those areas, we also continue to invest in infrastructure. Across the province we are renewing and replacing what's aging and developing new infrastructure to keep our communities running smoothly and enhance quality of life. We are honouring your local priorities which make every day easier, safer, and more enjoyable. In short, we are working to make your life better.

I've touched on just a few of the business areas we cover in detail in our latest annual report, and I encourage you to read on and to learn more about how Municipal Affairs has been working diligently to serve Albertans. Everything in this report is about you, your communities, and making life better for all Albertans.

[Original signed by]

Honourable Shaye Anderson
Minister of Municipal Affairs

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes the Department of Municipal Affairs and the Safety Codes Council. The ministry also includes the Special Areas Board and seven improvement districts, which are accountable to the minister. An eighth improvement district, Kananaskis Improvement District, is administered by the Ministry of Environment and Parks.

The Department of Municipal Affairs consists of the Municipal Assessment and Grants Division, the Municipal Services and Legislation Division, the Public Safety Division, the Alberta Emergency Management Agency, the Corporate Strategic Services Division, the Municipal Government Board, and the New Home Buyer Protection Board.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Municipal Affairs. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – outcomes, performance measures and related targets match those included in the ministry's Budget 2016.

As deputy minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Municipal Affairs the information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

Brad Pickering

Deputy Minister of Municipal Affairs

June 6, 2017

Results Analysis

MINISTRY OVERVIEW

The Ministry of Municipal Affairs

The Ministry of Municipal Affairs invests in families and communities through its programs and activities in support of safe communities and responsible, collaborative, and accountable local governments to contribute to a high quality of life for Albertans.

The ministry consists of the Department of Municipal Affairs and the Safety Codes Council. The ministry also includes the Special Areas Board and seven improvement districts, which are accountable to the minister. An eighth improvement district, Kananaskis Improvement District, is administered by the Ministry of Environment and Parks.

The Department of Municipal Affairs consists of the Municipal Assessment and Grants Division, the Municipal Services and Legislation Division, the Public Safety Division, the Alberta Emergency Management Agency, the Corporate Strategic Services Division, the Municipal Government Board, and the New Home Buyer Protection Board.

The Department of Municipal Affairs

Municipal Assessment and Grants Division

This division administers several provincial and federal grant programs directed at Alberta communities and municipalities – including the Municipal Sustainability Initiative.

The Municipal Assessment and Grants Division also administers the policies and procedures for property assessment, reviews and audits municipal property assessments, and determines each municipality's share of the provincial education property tax. The division also does the assessment on linear properties for municipalities. Linear properties include oil and gas wells, pipelines, electric power systems, and telecommunication systems.

Municipal Services and Legislation Division

The Municipal Services and Legislation Division supports municipalities in meeting their mandate to provide accountable and effective local governance to the residents of Alberta. This is done through the work of three distinct but connected teams: the Municipal Services Branch, the Major Legislative Projects and Strategic Planning Branch, and the Special Areas Board. Through these teams, the division provides support services and advice to municipalities in line with the ministry's Municipal Sustainability Strategy, manages the ministry's major legislation governing municipalities, leads major policy initiatives relating to municipal-provincial relations, and co-ordinates the ministry's stakeholder relations with key municipal associations at major conferences and regional meetings.

Public Safety Division

The Public Safety Division administers a framework of safety codes and standards, supports Alberta's fire services, and oversees the mandatory new home warranty framework.

The division administers the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: 1) building; 2) fire; 3) plumbing; 4) gas; 5) electrical; 6) elevators; 7) amusement rides; 8) passenger ropeways (i.e. ski lifts); 9) pressure equipment; and 10) private sewage disposal systems.

The division provides support and advice to fire departments and municipalities about fire service, and works with government departments, municipalities, First Nations, and other stakeholders to promote fire and injury prevention and support effective community risk management. The division also supports search and rescue groups in the province by offering grants and training support.

The New Home Buyer Protection Office is responsible for overseeing and enforcing the *New Home Buyer Protection Act*, which establishes regulatory requirements for mandatory new home warranties.

The division also works with the Safety Codes Council to assist and monitor municipalities, corporations, and three delegated administrative organizations accredited to administer safety codes and standards.

Alberta Emergency Management Agency

The Alberta Emergency Management Agency (AEMA) works with emergency management partners to provide a province-wide emergency management system that protects Albertans, their property, and the environment against all hazards. This includes the co-ordination of emergency or disaster response and recovery activities, and providing direct assistance to local authorities when required. The AEMA provides strategic policy direction and leadership through the co-ordination of emergency management programs that include aspects of mitigation, prevention, preparation, response, and recovery.

The AEMA supports the continuous improvement of Alberta's emergency management system and assists with the development of sustainable emergency management capabilities, emergency social services, emergency 911 support, and amateur radio operators in Alberta's communities, industries, and government. The AEMA collaborates with provincial, territorial, federal, and international stakeholders to promote a comprehensive approach to emergency management that enhances the safety of all Albertans.

Corporate Strategic Services Division

The Corporate Strategic Services Division helps the ministry achieve its outcomes by providing: financial services; information management; legislative and administrative services; strategic planning, reporting, and policy services; and information technology support.

The division includes the Public Library Services Branch, which supports the province-wide public library network in its provision of library services and provides operating funding to municipal and regional library system boards. Funding enables municipal and regional libraries to share physical and electronic library resources across the province in the goal of equitable library access for all Albertans.

Municipal Government Board

The Municipal Government Board conducts independent and impartial quasi-judicial tribunal functions – required by the *Municipal Government Act* – to make decisions about land-planning issues, assessment complaints, and any other matter referred to it by the Minister of Municipal Affairs or Lieutenant Governor in Council. Land-planning issues that come before the board include subdivision appeals, annexation recommendations, and intermunicipal disputes. Assessment disputes relate to equalized assessment and linear property (e.g., oil and gas wells, pipelines, and power generation plants).

The board also supports assessment review boards across the province by assigning members to hear and make decisions about municipal assessment complaints. Another function of the board is to provide training and certification for assessment review board clerks and board members.

Members of the Municipal Government Board have an extensive amount of appraisal, assessment, legal, and land-planning expertise, which ensures all stakeholders receive a fair, timely, and well-reasoned decision.

New Home Buyer Protection Board

The New Home Buyer Protection Board hears appeals of decisions issued by the New Home Buyer Protection Office regarding: owner-builder authorizations; hardship exemptions; status determinations; compliance orders; and administrative penalties.

Other Entities

The Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*. Its responsibilities include: assisting the government in the formulation of Alberta's safety codes and standards, and advising the minister on related matters; training and certifying safety codes officers; accrediting municipalities and corporations to administer the Act; and accrediting agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act*.

Special Areas Board

The Special Areas Board is appointed by the Lieutenant Governor in Council and is responsible for the administration of 2.5 million acres of public land in southeast Alberta and the provision of municipal services to residents of this rural region. The mandate of the Special Areas was established in 1938 at a time of severe drought, economic depression, over-cultivation of land in the region, out-migration, loss of lands by homesteaders through non-payment of taxes, and municipal bankruptcies. The Special Areas Board was created to bring stability to the region, and the board continues to apply policies that are particularly suited to the sustainability of public lands in this ecologically fragile part of the province.

Improvement Districts

Municipal Affairs provides limited municipal services in seven improvement districts, including: Waterton Lakes National Park; Banff National Park; Jasper National Park; Elk Island National Park; Wood Buffalo National Park; Willmore Wilderness Park; and Improvement District No. 349 (located in northeastern Alberta). The Government of Alberta, through Municipal Affairs, is responsible for all functions of local government in these improvement districts, including the levy and collection of taxes.

Support Services

Human Resource Services

Human Resource Services plans, develops, and delivers the department's strategic human resource programs, as well as day-to-day human resource services. Its responsibilities include promoting strategic human resource planning in alignment with business goals and objectives, supporting the attraction and engagement of high-calibre staff, and building employee capacity to achieve business plan goals.

Legal Services

The Legal Services Branch provides legal services to the department's divisions and associated boards. The branch's responsibilities include participating in special projects, reviewing legislation and regulations, offering legal advice and written opinions, and preparing and reviewing legal documents.

Communications

The Communications Branch provides strategic communications advice, consulting services, and planning and communications support to the minister, deputy minister, and ministry staff to communicate effectively with stakeholders, the media, and Albertans. The branch also provides issues management, writing and editing, and media relations services.

Results Analysis

DISCUSSION AND ANALYSIS OF RESULTS

Executive Summary

The Ministry of Municipal Affairs delivered on the commitments in its 2016-19 business plan, while also leading the Government of Alberta's response to and recovery from the May 2016 wildfire in the Regional Municipality of Wood Buffalo and continuing the ministry's day-to-day operations that do not appear in the business plan. Progress was made on major initiatives and projects, including: the **modernization of the *Municipal Government Act***; working in partnership with the cities of Calgary and Edmonton to **develop city charters** that reflect the unique circumstances of these major metropolitan centres; **launching the Alberta Safety Codes Authority**; and continuing to **refine and improve the Disaster Recovery Program**.

While the ministry did accomplish what it set out in its 2016-19 business plan, the year was not without challenges. In particular, one outside factor that profoundly affected the ministry's business in 2016-17 was the devastating May 2016 wildfire in the Regional Municipality of Wood Buffalo that stretched the resources of the ministry to their limit. **The ministry led the Government of Alberta's response to the wildfire**, which included fighting the wildfire, supporting the evacuation of residents, and co-ordinating re-entry into the community. The ministry also led the co-ordination of provincial recovery activities. The ministry's Alberta Emergency Management Agency contracted an independent third-party post-incident assessment to support continuous learning, resulting in improved emergency management services for Albertans throughout the year.

While the Fort McMurray fire was a challenging start to the fiscal year, the ministry's key initiatives and everyday work continued. The ministry's work to **modernize the *Municipal Government Act***, which began in 2012, met key milestones in 2016-17.

Bill 21, the *Modernized Municipal Government Act*, introduced during the spring 2016 sitting of the Legislative Assembly, included a second group of proposed amendments to the *Municipal Government Act*. The proposed legislation contained major policy shifts to help modernize how Alberta's municipalities govern, plan for growth, work together, and raise revenue. The new policies were developed through extensive public engagement and collaborative work with key municipal partners.

In summer 2016, Municipal Affairs representatives travelled to 20 locations across Alberta to communicate the intent of the proposed policy changes and to gather feedback from Albertans on Bill 21. The feedback was used to inform revisions to the proposed ***Modernized Municipal Government Act***, which was reintroduced during the fall Legislature sitting and passed in December 2016.

The ministry also made progress on the **development of city charters** for the province's two largest cities: Edmonton and Calgary. These two cities, home to approximately two-thirds of the province's population, face significant challenges, including: growth pressures; increasing expectations of citizens; heightened demand on social systems; and opportunities for economic diversification. The city charters under development will help address these challenges by providing the cities

additional flexibility and tools to effectively manage local matters. Progress in 2016-17 included developing policy proposals with representatives from the Government of Alberta and the two cities, and engaging the public and stakeholders for input.

In 2016-17, the **Alberta Safety Codes Authority**, a division of the Safety Codes Council, became responsible for overseeing safety codes compliance monitoring in all unaccredited municipalities on behalf of the Government of Alberta. **The Alberta Safety Codes Authority's** compliance monitoring model provides better oversight of safety codes services, which gives homeowners in unaccredited areas better assurance that their homes and structures comply with the *Safety Codes Act*. The Alberta Safety Codes Authority has improved accountability and protection by: providing timely project inspections and followup; making it simpler for contractors and owners to determine their project costs through standardized permit fees; and delivering consistent turnaround times on reviewing quality management plans and requested inspections.

The ministry continued to refine its **Disaster Recovery Program** so that they better serve Albertans recovering from uninsurable losses or damages resulting from disasters. After the southern Alberta floods in 2013, some program policies and procedures were identified for improvement, including the transfer of administration of **Disaster Recovery Programs** from a contracted service provider to the Alberta Emergency Management Agency, which occurred in 2014-15. Refinements to the program in 2016-17 included: establishing a project management office to track and report on the implementation of priority projects; improving communication with stakeholders and community interest groups around strategies and opportunities to enhance service delivery; and creating a new regional approach for municipal and First Nations recovery case managers to increase collaboration and develop stronger partnerships. The transformation of the **Disaster Recovery Program** is ongoing as the ministry continues to implement 11 priority projects that were developed in response to a program audit by the Office of the Auditor General in 2015-16. It is expected that all but four of the 11 projects will be completed in 2017.

Looking forward, as the ministry's focus now turns to implementing the policy changes put forward in the **Modernized Municipal Government Act**, there will be a need for ongoing, effective communication and collaboration with interested and affected parties. The majority of the legislative amendments and associated regulations are expected to come into effect before the fall 2017 municipal elections.

The ministry will continue its work on **city charters** with Edmonton and Calgary, with the goal of enacting them in 2017. This includes the completion of a draft regulation for public comment, the signing of a proposed collaboration agreement that commits the province and the two cities to working together in areas of mutual interest, and developmental work on a fiscal framework to help ensure all parties have the resources needed to fulfill agreed-upon roles and responsibilities.

The ministry will also continue to work on the proposed **builder licensing program**, which will – when legislation is proclaimed – help consumers distinguish good builders from bad builders. Today, there are no minimum qualifications to be a builder in Alberta, and this bill will require builders to maintain an active licence in order to build new homes and secure warranty coverage.

As the ministry continues to promote an assessment and property taxation framework that is accurate, predictable, fair, and transparent, it will continue to work toward the **centralization of assessment of designated industrial properties** within Municipal Affairs. Designated industrial property will include large industrial sites as well as linear properties. Responsibility for the assessment function of these properties will transfer from the municipalities to the provincial assessor in 2018.

Outcome One: Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments

Key Strategy 1.1 Work with municipalities and metropolitan regions to strengthen regional planning and service delivery and to promote the optimization of resources and responsible decision-making in the best interests of all Albertans.

Major milestones were achieved in the past year as the Government of Alberta passed legislation that will lead to the establishment of new intermunicipal planning networks across the province.

The adoption of the legislation means municipal neighbours will be working together to create intermunicipal frameworks for the planning, delivery, and funding of services to be provided on a regional basis. In Alberta's two major metropolitan areas, municipal members of growth management boards will work collaboratively to address pressures associated with growth in their regions.

In the past year, municipal interest and uptake continued to be strong in connection with the ministry's ongoing programs of support for intermunicipal initiatives; ongoing provision of advice and training on a range of governance and operational matters; and opportunities to engage in proactive reviews to address potential challenges to a municipality's long-term viability.

Growth Management Boards

The Government of Alberta has recognized ongoing growth in the metropolitan regions will generate increased demand for services and infrastructure, pressures on the natural and built environments, and opportunities for economic prosperity. Accordingly, provisions were included in the *Modernized Municipal Government Act*, which was passed by the Legislative Assembly in December 2016, to establish mandatory growth

management boards composed of municipalities in the Calgary and Edmonton metropolitan regions. This new legislative requirement reflects the importance of collaborative and strategic planning for future growth in the two metropolitan regions.

Following the passing of the legislation, Municipal Affairs began work in collaboration with municipalities in the Edmonton and Calgary regions to draft regulations to establish the boards. These regulations will specify the mandate and membership of the boards and provide direction for the development and content of metropolitan growth plans. A discussion paper outlining the province's vision for the growth management boards was shared with municipalities in each region and written feedback was received. The municipalities identified for board membership have participated in administrative working groups that met in each region to assist in the development of the regulations.

The proposed mandate of the growth management boards is to promote the long-term sustainability of the regions and focuses on five key areas:

1. environmentally responsible land-use planning, growth management, and efficient use of land;
2. co-ordination of investment in infrastructure and service delivery;
3. ensuring the co-ordinated delivery of regional services;
4. information sharing; and
5. promoting the economic well-being and competitiveness of the region.

To fulfill this mandate, growth management boards will be required to develop a long-term growth plan and shorter-term metropolitan development/servicing plan, both of which will require approval by the Minister of Municipal Affairs. The proposed membership of the boards includes the core municipality (Calgary or Edmonton), all adjacent rural municipalities, and all urban municipalities within the region with more than 5,000 citizens. The proposed governance structure of the boards requires decisions to be supported by two-thirds of member municipalities, and municipalities representing two thirds of the impacted population.

The minister met municipal elected officials from each region in April 2017 to review the draft regulations produced by the administrative working groups and receive feedback before the regulations are submitted for Cabinet approval. As with all regulations under the *Municipal Government Act*, the draft regulations will be subsequently posted online for public feedback for 60 days prior to final approval. The regulations are expected to come into effect prior to the October 2017 municipal elections.

The new legislation specifies the Capital Region Board, which was established as a growth management board nine years ago under the Capital Region Board Regulation, will continue to serve as growth management board for the Edmonton region.

Support to Capital Region Board and Calgary Regional Partnership

Concurrent with the development of mandatory growth management boards, the ministry continued to provide substantial funding to both the Capital Region Board, which was established in 2008 and is the only existing growth management board in the province, and the Calgary Regional Partnership, which is a voluntary partnership of municipalities formed in the early 2000s. For 2016-17, the annual allocation to each organization under the Alberta Community Partnership program was \$2.5 million in support of core operating expenses and implementation of regional initiatives.

In October 2016, the Capital Region Board submitted its update of the Edmonton Metropolitan Region Growth Plan to the province for review. The board's growth plan was initially approved in 2010; provided a 35-year vision for future growth; and addressed priorities such as land use, transit, and housing. A cross-ministry committee has been struck to proactively address any provincial concerns relating to the updated growth plan and to an updated regional evaluation framework used by the board to ensure new municipal land-use plans, and newly amended plans, are consistent with long-term regional interests.

Intermunicipal Collaboration Frameworks

Another amendment, made in December 2016 under the *Modernized Municipal Government Act*, will require neighbouring municipalities to jointly develop intermunicipal collaboration frameworks. The intent of this new legislative provision is to promote integrated planning among municipalities, efficiency and effectiveness in service delivery, and the optimization of limited resources – all of which benefit the residents of the collaborating municipalities.

Most municipalities in Alberta work well with their neighbours and have numerous agreements already in place. Other municipalities engage in very little collaboration. While this may, in some cases, be due to geography or limited need for such arrangements, there is an identified need and opportunity for improvement when it comes to intermunicipal planning, delivery, and funding of municipal services in Alberta.

One of the goals of developing intermunicipal collaboration frameworks is to help ensure Albertans are able to receive a standard level of service – regardless of where they live within the region. This goal is reflected in the legislated requirement for municipalities with common boundaries to consider the basic services commonly provided in municipalities – and to determine which of those services would best be delivered on an intermunicipal basis. In particular, frameworks will need to address the planning, co-ordination, and cost-sharing of services

related to transportation, water and wastewater, solid waste, emergency services, recreation, and any other services the partnering municipalities deem to have benefit for their residents. In addition, frameworks will be required to contain an intermunicipal development plan outlining how growth will occur along shared borders.

Municipalities will need to meet with their neighbouring municipalities and come to agreement on the required elements of the frameworks within the first two years from the date the legislation comes into effect, which is anticipated to occur by October 2017. The province will be working in collaboration with the municipal associations to identify and develop ways to help municipalities create frameworks within the two-year period. If neighbouring municipalities are not able to reach agreement on a framework within the two years, their dispute will go to arbitration for finalization of the framework.

Collaborative Governance Initiative

The ministry continues to see strong interest among municipalities in making use of support available under the Collaborative Governance Initiative for building relations and co-operative processes within and between municipalities. Projects that may be eligible for assistance under the program include the development of protocols for working more collaboratively internally or intermunicipally, and internal policies and procedures for addressing conflicts that arise during the delivery of municipal services.

In 2016-17, the ministry provided approximately \$800,000 in financial support to 15 collaborative governance projects. The 15 projects collectively involved 39 municipalities and two First Nations communities. Four of the projects involve the creation of internal protocols within individual municipalities. The other 11 projects involve municipalities working to develop intermunicipal protocols relating to land-use planning, water service agreements, fire services, regional governance, and working effectively with neighbouring Indigenous communities.

The funding approved under the Collaborative Governance Initiative increased from just over \$430,000 in 2015-16 to \$800,000 in 2016-17. This increased funding reflected the government's focus on strengthening regional collaboration and a strong desire among municipalities to work together in areas of joint interest.

Regional Services Commissions

A regional services commission is a form of municipal partnership that may be created through a regulation under the *Municipal Government Act* for the joint provision of municipal services on behalf of member municipalities. Across the province, 72 commissions deliver one or more services such as municipal utilities (water, wastewater, solid waste, and landfill), emergency services, and property assessment on a regional basis. Regional services commissions have their own distinct legal status apart from municipalities and, as such, may hire staff, administer their own payrolls, raise capital, and own property. In 2016-17, one new commission was formed with the establishment of the Central Peace Fire and Rescue Commission; member municipalities are the Municipal District of Spirit River, the Town of Spirit River, and the Village of Rycroft.

Regional services commissions are expected to continue to be an important option available to municipalities that want to determine the best ways to provide services to their residents. With an increasing emphasis on regional collaboration among municipalities, as evident in recent policy amendments to the *Municipal Government Act*, it is expected municipalities may be seeking new ways of delivering services in collaboration with their neighbours. More requests are likely to occur in the foreseeable future to establish new commissions or amend the regulations governing existing commissions.

Alberta Community Partnership

The Alberta Community Partnership Program continues to improve the viability and long-term sustainability of municipalities by providing support for regional collaboration and capacity

building initiatives. Given the reduction in the program's budget – from \$40 million to \$20 million for 2016-17 – and continued high demand, a review was conducted to ensure the reduced grant funds would continue to be awarded to projects that have the strongest fit with the program's objectives.

On behalf of their members, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Alberta Rural Municipal Administrators' Association, and the Local Government Administration Association were consulted as part of the review. The review resulted in focusing the Intermunicipal Collaboration component's project selection criteria and eligibility to help municipalities meet increased requirements for intermunicipal collaboration under the *Modernized Municipal Government Act (MMGA)*, and simplifying the Municipal Restructuring component grant formula to better reflect anticipated costs and align restructuring and financial impacts.

The program focuses support on five components: 1) Intermunicipal Collaboration; 2) Municipal Restructuring; 3) Mediation and Co-operative Processes; 4) Municipal Internship; and 5) Strategic Initiatives.

Intermunicipal Collaboration provides support to partnerships for developing and expanding regional land-use plans and service delivery frameworks, and Strategic Initiatives provides support to initiatives strategically aligned with Municipal Affairs' or provincial priorities.

Intermunicipal Collaboration

As in previous years, this component, which implements regional solutions to municipal service challenges, was oversubscribed due to its popularity with municipalities. This high demand for regional funding presented an opportunity for the ministry to better align the component's objectives with provincial priorities and to encourage regional service delivery planning. Revisions were made to the Intermunicipal Collaboration component's project selection and eligibility to assist municipalities in meeting new requirements under the *MMGA*.

This change addresses foundational work that may be needed to inform new content, such as creating shared services agreements or intermunicipal development plans.

In 2016-17, 59 projects were approved in support of regional land-use and service delivery frameworks. Municipalities used this funding to collaborate on projects related to the creation of intermunicipal development plans, and regional service delivery plans.

These projects ensure roles and responsibilities have been defined, and that municipal partnerships have planned timelines and resources.

Examples of projects include:

- The Town of Peace River, in partnership with the County of Northern Lights and the Municipal District of Peace, was approved for \$200,000 to develop intermunicipal development plans and intermunicipal collaboration frameworks.
- Big Lakes County – in partnership with the towns of High Prairie, Slave Lake, and Swan Hills; the Municipal District of Lesser Slave River; and the Gift Lake Metis Settlement – was approved for \$180,850 to develop a broadband service delivery business case and framework.
- The Town of Cochrane, in partnership with the City of Chestermere and Town of Strathmore, was approved for \$160,000 to conduct a transit study and develop a supporting service plan.
- Vulcan County – in partnership with Town of Vulcan and the villages of Arrowwood and Champion – was approved for \$172,500 to develop intermunicipal development plans.

Strategic Initiatives

On occasion, the ministry has an opportunity to support projects of strategic significance that are outside the scope of funding components aimed at strengthening regional planning and service delivery.

To this end, the ministry is providing support for initiatives that will assist municipalities to respond to new requirements in the *MMGA*. One requirement stipulates all municipalities

must adopt a municipal development plan (MDP). Previously, MDPs were only mandatory for municipalities with populations over 3,500. Parkland Community Planning Services – in partnership with the Mackenzie Municipal Services Agency, Oldman River Regional Services Commission, Palliser Regional Municipal Services, and the West Central Planning Agency – was approved for \$500,000 in funding in support of developing an MDP guidance document.

In addition, the Alberta Association of Municipal Districts and Counties was approved for a grant of \$500,000 in support of MMGA change management. The project will address a number of changes related to new MMGA requirements and the Alberta Association of Municipal Districts and Counties will partner with the Alberta Urban Municipalities Association and the ministry, so the resulting activities and resources will be designed to benefit all Alberta municipalities.

Support for emergency response services on Highway 63 was again a priority for the ministry. Athabasca County was approved for an additional \$350,000 in funding for technical road rescue response, which brings the total funding for this project under the Strategic Initiatives component to \$1,323,700.

The Alberta Community Partnership Online system was launched this year, within the ministry's application portal, MAConnect. This system, which allows eligible applicants to submit and track applications and reporting information, provides a one-window approach to grants along with the Municipal Sustainability Initiative Online application.

Advice and Assistance to Municipalities

On a day-to-day basis, the ministry assists municipalities in building their capacity to govern and operate effectively by providing advice, information, and training. Ministry staff provide advice and information resources to municipalities, residents, and stakeholders in the areas of finance, governance, administration, land-use planning, property tax and assessment, municipal restructuring, dispute resolution, and local elections.

The ministry's activities included:

- Supporting new municipal administrators by providing on-site training, advice, and information on available ministry supports and resources. The ministry carried out 23 site visits in 2016-17.
- Providing training to municipal administrations and councils on their respective roles and responsibilities. The training sessions often provide elected and administrative officials opportunities to focus on how they can do their jobs better, which can lead to improved local governance and service delivery. The ministry provided this training to 15 municipalities in 2016-17.
- Providing training on specific topics as requested, and in co-operation with administrative organizations, on subjects including bylaw enforcement, tax collection, budgeting, and tax bylaw preparation.
- Supporting municipalities over the telephone by fielding their questions and concerns.
- Maintaining contact with municipal administrative officials by attending and making presentations at conferences and meetings, and by participating in administrative and professional organizations. Through this activity, the ministry stays current on trends and issues impacting municipalities.
- Responding to questions and concerns received from citizens by telephone, email, or letter. Ministry advisors help members of the public understand the local government process, and how they may be able to resolve their concerns by working with their municipality.

In 2016-17, ministry staff responded to more than 2,000 telephone inquiries and provided more than 700 written responses on governance and administrative matters. The ministry also responded to more than 300 telephone inquiries on land-use planning and development topics alone.

Regional Training Sessions

In 2016-17, the training offered by the ministry included five regional sessions tailored to the needs of administrative staff working in

small- and medium-sized municipalities. Each session covered a range of topics relating to the responsibilities of municipal administrations. In total, 266 individuals representing 131 municipalities attended the training sessions, held in Drayton Valley, Olds, High Prairie, Vermilion, and Taber. The regional sessions and other training activities addressed topics such as asset management, council conflict, municipal finance, safety services, municipal grants, and planning and development.

While these sessions included a basic overview on land-use planning, it is anticipated interest in opportunities for training on land-use planning and related legislation will begin to increase later in 2017 as new planning requirements come into effect with the proclamation of amendments to the *Municipal Government Act* as set out in Bill 20, the *Municipal Government Amendment Act*, 2015, and Bill 21, the *Modernized Municipal Government Act*. Future regional training sessions for municipalities will focus on providing information on changes to the *Municipal Government Act*, and will include sessions related to changes to planning provisions of the Act and associated regulations.

The ministry did not deliver its annual training sessions on subdivision and development appeal boards in 2016-17, as the legislation relating to the boards was being changed. The training manuals for board members and clerks will be updated to reflect changes to the *Municipal Government Act*.

Viability Reviews

The viability review process continues to be in high demand among communities in Alberta that are seeking to address potential issues relating to their long-term sustainability. This collaborative process involves a review of matters relating to a municipality's governance, finances, infrastructure, and services in order to determine whether changes are required for the community to remain viable. The process allows for an objective analysis of the municipality's issues and challenges, and typically leads to the development of a viability plan that outlines options available to the community.

The viability review process was adopted as a main component of a broader Municipal Sustainability Strategy developed by the ministry in collaboration with the municipal associations and approved by the province in 2012.

The viability review process was designed to be proactive and inclusive of affected parties. It replaced previous "dissolution studies" the ministry formerly carried out upon request. Each review is guided by a viability review team of representatives from the ministry, the municipality undergoing review, the neighbouring municipality, and the municipal associations.

From 1990 to 2012, the ministry averaged approximately three dissolution study files per year. Since then, the volume of concurrent viability reviews in Alberta has surged. In 2016-17, there were 11 active viability reviews at different stages of completion (the villages of Berwyn, Botha, Champion, Clyde, Ferintosh, Hill Spring, Hussar, Innisfree, Rycroft, and Willingdon; and the Town of Grande Cache). In addition, two petitions were received to request viability reviews. In one instance, a decision on the request will be deferred; in the other instance, the petition was deemed insufficient and no viability review will be conducted.

Two significant challenges for the ministry are the volume of concurrent reviews, and the time delays experienced on almost all files. The delays related to factors such as:

- time needed to complete the study of the community's infrastructure;
- waiting for financial data;
- availability of viability review team members; and
- the ministry's capacity to resource the reviews.

In response to feedback from municipal stakeholders, Municipal Affairs has continued to improve the viability review process. In January 2017, stakeholders were informed of further modifications that will streamline the process and result in future viability reviews being completed more quickly. These changes will:

- require the municipality's infrastructure study to be completed before assembling a viability review team;

- streamline the collection of information and development of the viability plan; and
- adjust the process for public engagement at the closing stage of a viability review.

The Alberta Community Partnership Program provides grants to municipalities that address costs associated with the viability review process and subsequent dissolutions, should they occur. Eligible projects include infrastructure studies, regional governance studies, transitional costs post-restructuring, and infrastructure/debt servicing. Two infrastructure studies were funded in 2016-17, totaling \$250,000. As there were no dissolutions or amalgamations in 2016-17, fewer grants were distributed than in previous years.

Municipal Internship

The Municipal Internship Program supports interns in three streams: the administrator, land-use planner, and finance officer streams. The latter stream was piloted in 2015, and interest has increased each year. In 2016-17, the ministry provided \$920,000 to help cover the costs of hosting 11 administrator interns, three land-use planner interns, and 12 finance officer interns. The interns were hosted by 18 municipalities, four of which partnered to host interns. More than 260 interns have been hosted by 104 municipalities and seven planning agencies since the internship program was introduced in 2002.

Municipalities continue to be challenged to recruit and retain qualified employees. As the municipal workforce sees retirements of senior, experienced staff, it continues to be critical to support ways for recent graduates to explore municipal career opportunities. The internship program recruits

recent post-secondary graduates interested in a career in local government, and provides support to the host organizations to hire these graduates. While in the program, interns gain practical experience in the field. They also receive coaching, mentoring, and opportunities for networking and professional development. The intent is to develop well-rounded future leaders for Alberta's municipalities.

Municipal support for the program is high. On an annual basis, more municipalities and planning service agencies apply to host interns than there are positions available. More than half of past intern participants are now employed in the municipal field, while a number of participants are employed in the Alberta Public Service.

The budgetary pressures of 2016-17 led to a reduction in funding for the Municipal Internship Program from \$1.5 million in 2015-16 to \$1 million in 2016-17. To address the decreased budget allocation, the ministry adjusted the program by reducing the number of internship positions, reducing funding for the optional second-year administrator and finance officer internships, and enabling host municipalities to allocate a larger component of the grant funding to the salary costs of the interns.

Recognizing Municipal Excellence

One way of strengthening the capacity of any profession is to share successes and best practices. The annual Minister's Awards for Municipal Excellence recognize best practices demonstrated by municipalities. Municipalities submit entries, and a review committee of municipal association representatives recommend award recipients.

Thirty-nine submissions were received for consideration in 2016, which was the 15th year of this program. The following submissions were selected as award winners:

INNOVATION:

Town of Hinton – Participatory Budgeting

The Town of Hinton empowered its residents to determine how to use \$100,000 of the town's annual budget. Residents present project ideas and then the community votes for the project they want. Voting is open to all residents from 14-years old and up. The town has completed this process for two years. The first year, bus shelters were built and the community hall was renovated. The next year, a master trail plan was created to improve the trails throughout the town.

PARTNERSHIP:

Summer Village of Jarvis Bay – Shared Administration

Five summer villages (Jarvis Bay, Birchcliff, Half Moon Bay, Norglenwold, and Sunbreaker Cove) share the same administration, but keep their individual councils, bylaws, and chief administrative officers. This shared service achieves cost savings and enables the individual municipalities to work together without losing their own unique and individual identities, needs, and cultures.

PARTNERSHIP (HONOURABLE MENTION):

County of St. Paul – St. Paul Occupational Health and Safety Program

The County of St. Paul, the towns of Elk Point and St. Paul, and the Summer Village of Horseshoe Bay partnered to regionalize their occupational health and safety programs. A regional director of occupational health and safety was hired, along with an administrative position. Occupational health and safety training, documentation, daily inspections, risk assessments, reporting of incidents, and prevention of incidents through training have increased, resulting in safer work environments for employees and residents.

SAFE COMMUNITIES:

City of Grande Prairie – Crime Prevention

The City of Grande Prairie has created a proactive crime-prevention department that builds on the strengths of the city by using a co-ordinated approach to engage citizens, agencies, and businesses to reduce crime in the community. As a result of the new department, the community's knowledge of crime prevention, and resources to address potential crime, has increased. Community members are better prepared to deal with unexpected and emergent crime issues.

SMALLER MUNICIPALITIES:**Town of Bon Accord – Light Efficiency Community Standards**

The Town of Bon Accord was designated as an International Dark Sky Community in 2015. An International Dark Sky Community is a municipality or other legally organized community that has shown exceptional dedication to the preservation of the night sky through the implementation and enforcement of a quality outdoor lighting ordinance, dark sky education, and citizen support of dark skies. Bon Accord is the first in Canada and one of only 11 communities across the globe to receive this designation. The town implemented its Light Efficient Community Standards Bylaw, which helped to reduce light pollution through at least 10 projects supported and completed in the bylaw. The project also included street lighting retrofits by public works and outreach visits at local schools to inspire students to embrace the nighttime environment.

LARGER MUNICIPALITIES:**City of Calgary – Municipally-owned Fibre Infrastructure**

The information technology business unit at the City of Calgary has leveraged capital works projects to build and deploy a fibre optic network to support city services. This approach has been effective in building over 450 kilometres of city fibre in use today. Owning the infrastructure provides the city with greater security and control of its networks. In turn, it is able to offer reliable and superior performance, lower costs, and scalability within a sustainable framework for the future.

Intermunicipal Dispute Resolution Support

The Intermunicipal Dispute Resolution Initiative provides mediation or facilitative services to help develop local solutions to conflicts municipalities may be having with their municipal neighbours, regional services commissions, or other boards or agencies. Where appropriate, the ministry covers a third of the funding for mediation, with grants averaging \$15,000, and municipalities contract directly with private sector mediators for their services. To help municipalities get started, the ministry has developed a roster of qualified mediators with relevant training and experience.

In 2016-17, the ministry provided \$45,000 in support of three requests for mediation assistance related to land-use planning and a negotiation involving a leased site. Since 2010, the program has provided support to 27 mediations involving more than 50 municipalities. Typically, issues resolved through mediation pertain to annexation, land-use planning, cost-sharing, and the need for improved intermunicipal relationships. Those

eligible for funding under the program include municipalities, improvement districts, Metis Settlements, and the Townsite of Redwood Meadows Administration Society.

Over the course of seven years, with the exception of 2014-15, the Intermunicipal Dispute Resolution program has seen a slight decrease in mediation applications, compared to a significant increase in services provided by the ministry through its Collaborative Governance Initiative. It is possible municipalities are becoming more interested in using funding under the collaborative governance program to develop protocols and agreements for improved working relationships over the long term, rather than simply solving one specific problem through mediation.

Floodway Development Regulation

The *Flood Recovery and Reconstruction Act*, enacted in December 2013, made it possible for the provincial government to control, regulate, or prohibit land use or development in floodways within municipalities. Municipal Affairs

completed an engagement process with key stakeholders and the public in 2014 to help inform the development of a Floodway Development Regulation. The intent of the regulation is to ensure policy decisions strike an appropriate balance with a view to public safety, respect for

the investments made by property owners, and the impact of regulation and affiliated policies on future floodway development. Until a regulation is adopted, development decisions are guided by each municipality's land-use bylaw and policies, including those pertaining to flood-hazard areas.

Key Strategy 1.2 Modernize the *Municipal Government Act (MGA)* to support Alberta's municipalities in governing in an accountable, collaborative, sustainable, inclusive and effective manner.

The *Modernized Municipal Government Act* introduced a second round of amendments to the *Municipal Government Act* during the spring 2016 sitting of the Legislative Assembly. The proposed legislation contained major policy shifts to help modernize how Alberta's municipalities govern, plan for growth, and raise revenue. The new policies were developed through extensive public consultation and collaborative work with key municipal partners in 2014 and 2015.

Following the spring 2016 introduction of the *Modernized Municipal Government Act*, Municipal Affairs representatives travelled to 20 communities across Alberta over the summer to communicate the intent of the proposed policy changes and to gather feedback. More than 2,400 Albertans attended the sessions and provided input on the proposed amendments. Feedback was also collected through an online questionnaire that received over 2,300 responses, and 122 letters commenting on the draft legislation. The feedback was considered by the minister and used to inform revisions to the proposed *Modernized Municipal Government Act*, which was reintroduced during the fall Legislature sitting and passed in December 2016.

During the ministry's summer tour to communities across the province, Albertans also provided their thoughts on a number of new and significant topics beyond the scope of those contemplated in the draft legislation. These ideas and proposals led to the creation of a discussion paper on further matters that could potentially

be addressed in the process of modernizing the legislation. The discussion paper, entitled "Continuing the Conversation," was released by the ministry in November 2016 and accompanied by an online questionnaire inviting comments from Albertans until January 31, 2017. The ministry gave careful consideration to the feedback and developed policy proposals for consideration.

Engaging and Communicating with Albertans: A Top Priority

A top priority and a major challenge for the ministry through all phases of the multi-year review of the *Municipal Government Act* has been to provide key stakeholders and all Albertans with meaningful opportunities to have their say on topics of interest or concern to them. The ministry has gone to significant lengths to meet this challenge.

The ministry's activities in 2016-17 built upon previous consultations and achievements dating back to the beginning of the review in 2012, including:

2012-13 Municipal Affairs worked with a Stakeholder Advisory Committee to create more than 35 initial discussion papers to collect insights on how to best engage with Albertans. The advisory committee was composed of representatives of the urban and rural municipal associations, the cities of Calgary and Edmonton, and the Alberta Chambers of Commerce.

2014–15 The ministry conducted a series of robust engagement sessions with the public and stakeholders across Alberta. This process identified more than 50 policy issues, along with policy options, that would come to define the scope of the *Municipal Government Act* review. The policy options were then refined during discussions of key stakeholder working groups, which included representatives from the municipal associations, the two major cities, business, and industry.

2015–16 In spring 2015, the Legislative Assembly approved the first round of amendments to the *Municipal Government Act* to reflect policy changes that had received broad stakeholder consensus. This first legislative milestone was followed by targeted stakeholder engagement and the drafting of proposed legislation in the remaining policy areas.

Much of the past year focused on communicating the proposed policy changes to Albertans, sharing how the previous four years of work and consultations informed those changes, and responding to further feedback. Most significantly, many ministry staff members were called upon to help engage with Albertans during the summer 2016 tour on the proposed amendments in the *Modernized Municipal Government Act*. This high level of public engagement required extensive ministry resources. These discussions with Albertans helped the ministry fine-tune the draft legislation. The discussions also provided participants with opportunities to hear and seek clarification from ministry representatives on how the policy changes will lead to local governance that is increasingly more accountable, collaborative, sustainable, inclusive, and effective.

A majority of the summer sessions were led by former Municipal Affairs Minister Danielle Larivee, who had the opportunity during the tour to hear comments and respond directly to a range of questions from Albertans, including elected municipal officials, municipal administrators, business and industry representatives, interested public citizens, members of the Legislative Assembly, and local media. Colin Piquette,

the MLA (Athabasca-Sturgeon-Redwater) who co-sponsored the *Modernized Municipal Government Act* in the Legislature, also assisted in leading a number of the sessions.

As the ministry's focus now turns to implementing the policy changes put forward in the *Modernized Municipal Government Act*, there will be a need for ongoing, effective communication and collaboration with interested parties. The ministry has been consulting with key stakeholders to develop the regulations required to bring the new legislation into effect, and developed a change management approach in collaboration with the municipal associations. These measures will ensure municipalities and the public have easy access to information, tools, and support in adjusting to the changes. The majority of the legislative amendments and associated regulations are expected to come into effect before the fall 2017 municipal elections.

The ministry recognizes and appreciates the tremendous contribution made by key stakeholders to the review of the *Municipal Government Act*. In the future, if the ministry were to undertake a consultation process of a similar magnitude, it will be important to take key 'lessons learned' forward, such as the potential for consultation participants becoming fatigued, and opportunities to be more strategic around when and how engagement occurs. For example, there may be opportunities to make greater use of video-conferencing or other technology to reduce the need for key participants to make frequent trips to consultation meetings. There may also be ways to reduce the number of consultation sessions by scheduling longer (but fewer) meetings to address a larger number of agenda items – or arranging for consultation to occur during meetings that have already been scheduled with key stakeholder groups on related topics.

Policy Amendments to the *Municipal Government Act*

The ministry's engagement with Albertans, along with careful policy analysis and collaboration with other ministries, led

to a number of transformational policy shifts. The shifts can be described generally, along the lines of four theme areas: 1) enabling regional decision-making; 2) building more complete communities; 3) enhancing municipal accountability and transparency; and 4) accuracy, predictability, and fairness in Alberta's assessment and taxation framework.

Enabling Regional Decision-Making

A common theme arising throughout the ministry's engagement with Albertans, and through analysis of challenges facing municipalities, was the need for greater intermunicipal collaboration with respect to the use of land and the delivery of services. By adopting mechanisms for stronger collaboration among municipalities, the intent is to improve access to services for residents, strengthen regional economies, and realize greater efficiencies through co-ordinated development of infrastructure.

This need to strengthen decision-making among municipalities at the regional level led to the development and government approval of the following policies:

- **A growth management board** and related plans will continue to be required in the Edmonton region, and a new growth management board will be required in the Calgary region. The two metropolitan region boards will address land-use planning, servicing of growth, regional service delivery, cost-sharing, and dispute resolution. The intent of this legislation is to foster good governance and promote optimal land use and infrastructure planning in Alberta's two most populous regions. The work of the boards will build upon the substantial progress achieved to date by the Capital Region Board and the Calgary Regional Partnership.
- **Intermunicipal collaboration frameworks** will need to be developed by all municipalities in Alberta that are not members of the growth management boards. The creation of these frameworks will provide a forum for neighbouring municipalities to work together

and manage growth, co-ordinate service delivery, and optimize the use of resources on behalf of their citizens. Municipalities will identify the services best provided on an intermunicipal basis and, for each of those services, outline how it will be funded and delivered. The framework will not be considered complete until the municipal parties have also adopted an intermunicipal development plan.

Building More Complete Communities

A key function of the *Municipal Government Act* is to ensure municipalities have policies in place and tools available to create sustainable and inclusive communities. To achieve this, ministry staff worked with stakeholders to identify and refine a range of improvements to the legislative framework for local planning and development. These legislative amendments will assist in the provision of infrastructure, bolster local environmental stewardship, and allow for a range of social policy considerations to be addressed within new developments. The amendments are as follows:

- Mandating the creation of **municipal development plans** by all municipalities, regardless of population, to ensure municipalities set out plans relating to the use of lands and development in their communities over the long term.

Prior to this requirement, these plans were mandatory only for communities with populations of 3,500 or more.
- Expanding the scope of **"off-site levies"** (charges that can be collected by municipalities from developers for use in funding infrastructure) so that municipalities are able to access funds required to build community recreation facilities, fire halls, police stations, and libraries.

Prior to this change in scope, off-site levies could only be used for roads, sanitary sewer systems, storm sewers, water systems, and land connected to those types of infrastructure.

- Enabling municipalities to require that a portion of newly developed housing units be designated for **inclusionary (affordable) housing** purposes.

Prior to this amendment, the legislation did not explicitly give municipalities the ability to require new developments to include affordable housing units. More than 15,000 households are currently on wait lists for government-supported affordable housing units or programs.

- Clarifying the purpose of **environmental reserve** and creating a new type of reserve – **conservation reserve** – to enable municipalities to set aside and protect environmentally significant lands such as wildlife corridors, significant tree stands, or other environmentally significant features.
- Providing property tax incentives for the redevelopment of **brownfield** properties by allowing municipalities to grant multi-year tax exemptions, deferrals, or reductions to developers to offset costs of remediating and developing potentially contaminated sites. A brownfield is a piece of property that is abandoned, vacant, derelict, or unused because of actual or perceived contamination. Examples include former locations of gas stations and facilities contaminated by asbestos.

Enhancing Municipal Accountability and Transparency

Stakeholders proposed a number of legislative changes to strengthen Alberta's local governance model, including requiring government to exercise a greater degree of oversight in relation to citizens' complaints, and requiring municipalities to exercise greater transparency and accountability in some matters.

This input led to the development and government approval of legislation to:

- Expand the mandate of the **Alberta Ombudsman** to include municipalities, which means the ombudsman will have authority to objectively investigate complaints from Albertans to determine if a municipality acted fairly and reasonably.
- Prior to this legislative change, the authority of the ombudsman extended only over the provincial government and certain professional organizations.
- Require municipalities to offer **training to municipal elected officials** following each municipal election to ensure local councillors have a comprehensive understanding of their roles and responsibilities.
- Prior to this new policy, the legislation contained no training requirement for newly elected councillors.
- Address a perception of bias relating to **local appeal boards** by prohibiting municipal councillors from forming the majority of any legislated appeal board hearing panel.
- This new policy recognizes that councillors who serve on an appeal board alongside public members may have been involved previously in approving a development project that has become the subject of the appeal.
- Remove the necessity for municipalities to apply for ministerial approval to form a **municipally controlled corporation**, provided that new procedural and public participation requirements are observed.
- The new requirements will ensure the public has opportunity to review and provide input on any proposal to create a for-profit corporation where one or more municipalities would hold a majority of the shares.
- Require each municipality to list and publish all of its planning policy documents, and describe how the documents relate to one another and to any **local statutory plans**.
- This increased transparency will reduce the challenges faced by subdivision and development applicants, especially builders and developers who may deal with multiple municipalities, in identifying and understanding how a municipality's planning documents relate to statutory plans.
- Amend **decision-making timelines** to give municipalities more time to review subdivision

and development applications, ensure all necessary documentation is in order, and request additional information if required.

All cities and other municipalities with populations of 15,000 or more will be able to set their own timelines for when an application must be complete, and when a decision must be made.

Consistency, Efficiency, and Fairness in Alberta's Assessment and Taxation Framework

Municipal Affairs promotes an assessment and property tax system that is accurate, predictable and transparent. The ministry ensures legislated quality standards are met and that Alberta follows best practices.

This includes:

- annual and detailed assessment audits of municipalities;
- in-depth reviews of the valuation of Crown properties; and
- reviewing access to information complaints.

A major component of improving the consistency, efficiency, and fairness in the framework is the centralization of assessment of designated industrial properties within Municipal Affairs. Designated industrial property will include large industrial sites as well as linear properties. Responsibility for the assessment function of these properties will transfer from the municipalities to the provincial assessor in 2018.

In the meantime, the ministry continues to assess linear properties. In 2016-17, the ministry assessed 913 companies on behalf of 343 Alberta municipalities. Linear assessment is expected to generate approximately \$1 billion in municipal and education property tax. For the 2017 tax year, the total linear property assessment was \$68.5 billion, representing a decrease of 9.81 per cent from 2016. This change was primarily attributable to deflationary changes in assessed values, as well as changes to the provincial inventory of linear property.

There were three linear property complaints filed in 2016, with only one having a merit hearing before the Municipal Government Board. The hearing was held in October 2016, and the board adjusted five of the 18 wells under complaint. The linear assessment adjustment was approximately a total of \$90,000 across three municipalities.

A number of other changes were made to Alberta's property assessment and taxation framework. These policies evolved from discussions that explored ways to improve the consistency, efficiency, and fairness of the existing structure. Amendments to the *MGA*, approved in the fall, include:

- legislating a **linked ratio** between municipalities highest non-residential tax rate and their lowest residential tax rate;
- enabling regulation making authority for the sub-classing of the **non-residential tax rate**;
- **improving farm property assessment** by creating consistency in how farm buildings are assessed, and clarifying when farm land may be assessed at market value; and
- making a number of technical changes to ensure more consistent access to assessment information and a more efficient assessment complaints process.

Continuing the Conversation Discussion Paper

The ministry also explored potential policy changes relating to new topics that emerged in the summer 2016 public sessions, as outlined in the "Continuing the Conversation" discussion paper released in fall 2016.

These topics included matters related to:

- parental leave for municipal councillors;
- municipal relationships with Indigenous communities;
- enforcement of ministerial orders;
- environmental stewardship;
- notifications of proposed amalgamations and annexations; and
- collaboration with school boards.

Other topics included:

- off-site levies;
- conservation reserves;
- compliance with the linked tax rate ratio;
- access to assessment information;
- corrections to assessments under complaint;
- clarity regarding tax exemptions; and
- a number of technical amendments.

In May 2017, a third round of amendments was passed by the Legislature through Bill 8, *An Act to Strengthen Municipal Government*. The amendments were developed through careful analysis of the feedback received from Albertans on the Continuing the Conversation discussion paper and collaborative work with key municipal partners.

Key Strategy 1.3 Work with municipalities and other stakeholders to revise the regulations associated with the *MGA* to ensure governance, planning, and assessment and taxation policies align with the modernized *MGA*.

As part of the comprehensive process involved in renewing the *Municipal Government Act*, all regulations associated with the Act needed to be reviewed, and some new regulations needed to be developed to support and align with policy changes made through amendments to the legislation. This task presented a number of challenges to the ministry. The large number and diversity of the regulations meant there was a wide range of stakeholders to be engaged, and methodologies to be employed.

The ministry devised a multi-stream strategy to achieve this goal:

- The content of many regulations was reviewed by existing stakeholder committees. For example, regulations relating to municipal governance were brought before the Municipal Sustainability Strategy Advisory Committee, which includes representatives of the major municipal associations. Regulations relating to assessment and property taxation were brought before the Property Assessment and Taxation Stakeholder Advisory Committee, which includes a cross-section of municipal, business, and industry stakeholders.

In some cases, where the impact of the regulation would be substantial and key stakeholders were clearly known, special working committees were established, such as those addressing regulations relating to off-site levies and municipally controlled corporations.

In other cases, where the regulation would have a direct impact on one or very few municipalities, such as for the Crowsnest Pass Regulation and the *Aeronautics Act* Agreements (City of Medicine Hat and Cypress County) Regulation, consultation took place directly with the affected municipalities.

- Lastly, a working group was formed to provide a forum to address the remaining regulations – those of relatively broad scope that required engagement of a broader spectrum of stakeholders. This working group was composed of representatives from the Alberta Assessors' Association, the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association, the Local Government Administration Association, the Alberta Rural Municipal Administrators' Association, the Association of Summer Villages of Alberta, the Alberta Chambers of Commerce, the cities of Calgary and Edmonton, the Canadian Association of Petroleum Producers, the Canadian Home Builders' Association, and the Urban Development Institute.

Through this process, just over 30 regulations were created, amended, or combined, based on inputs received through more than 60 technical working group meetings, targeted stakeholder engagements, and comments received through the summer 2016 public engagement.

OUTCOME ONE

The meetings often involved people and groups with polarized views and the ministry worked hard to help identify and work toward areas of consensus. The *Municipal Government Act* review, and the regulation review in particular, has helped redefine the ministry's relationship with stakeholders by building trust, developing a broader understanding of the different perspectives on issues, and creating an environment in which people were comfortable speaking openly and sharing their views.

Following the ministry's work on the content for each regulation, the next tasks were to finish drafting the proposed regulations and to make the draft regulations available for review by stakeholders and the public. One challenge in this regard was ensuring stakeholders had the resource capacity to review the proposed regulations within a limited timeframe, in order to meet the ministry's commitment to bring the new legislation into effect by fall 2017. After discussions with consultation participants, it was determined a staged approach should be taken, with the proposed draft regulations released for stakeholder and public review in groupings. Each grouping would be available for comment for a 60-day period.

The draft regulations are being posted in phases on the MGA Review website at <http://MGAreview.alberta.ca/get-involved/regulations-review> so Albertans can see how they will help implement the changes to the *Municipal Government Act*. Each draft regulation is accompanied by a questionnaire to provide opportunity for comment.

The first grouping of 10 draft regulations was made available on the MGA Review website on January 31, 2017 for public and stakeholder consideration and feedback until March 31, 2017. These regulations support policy changes that were broadly agreed upon by stakeholders relatively early in the review process. A second grouping of draft regulations are to be posted online in late spring/early summer. These regulations required more in-depth discussions with stakeholders to resolve more complex issues. A third grouping may be required as a

result of further policy changes made in May 2017 with the passing of Bill 8, *An Act to Strengthen Municipal Government*.

One lesson learned by ministry staff during the course of the MGA Review – including the regulations review process – was the need to adapt to challenges that were difficult to anticipate in the project planning phases. At the outset, the MGA Review was regarded as a complicated project, but one for which milestones and deliverables could be identified and set out in a linear way. In reality, the ministry frequently adjusted its plans along the way in order to recognize the interrelatedness of some issues and interests, and to allow more time for thorough discussion of issues involving multiple perspectives. For example, in developing policy associated with off-site levies, the ministry's objective was to seek an appropriate balance in responding to the differing views held by municipalities and developers. To achieve this objective, ministry staff held several meetings on this topic alone in order to give full hearing to key stakeholders and work toward consensus where possible. While substantial progress was being made, it was not necessarily according to the timelines or steps set out in initial plans. Ministry staff learned to be flexible and adapt to changing priorities.

In general terms, the new and updated draft regulations relate to the four policy themes:

1. regional decision-making;
2. complete communities;
3. municipal accountability and transparency; and
4. consistency, efficiency, and fairness in Alberta's assessment and taxation framework.

Regional Decision-Making:

Two new regulations, once finalized and approved, will help implement policy changes to the *Municipal Government Act* to foster greater regional co-operation and decision-making:

1. Growth Management Boards Regulation:

This regulation will define the mandate, membership, and governance structure of the growth management boards in Edmonton and Calgary.

2. Intermunicipal Collaboration Framework Regulation:

This regulation will address matters relating to the contents of an intermunicipal collaboration framework, including intermunicipal land-use planning, regional service delivery, and funding.

Building More Complete Communities

New and updated regulations, once finalized and approved, will help implement policy changes to the *Municipal Government Act* to provide for affordable housing, community facilities and infrastructure, and training for appeal boards:

■ Inclusionary Housing Regulation (New Regulation):

This regulation will establish standards for inclusionary housing, including those pertaining to: the ownership of the dwelling units or land provided to a municipality by a developer for affordable housing purposes; conditions or restrictions on use of the land; the responsibility for ongoing operations and management of the dwelling units; conditions for the sale or disposal of dwelling units or land; measures to compensate the developer for the requirement to provide inclusionary housing (for example, possibly by allowing the developer to increase density or reduce parking spaces); and matters relating to the collection of funds by the municipality instead of dwelling units or land, and the use of those funds, if it is determined that affordable housing is not the best option for the development project.

■ Principles and Criteria for Off-site Levies Regulation (Amendment):

This regulation outlines the principles and criteria that a municipality must follow when negotiating, determining, and calculating off-site levies that can be collected from developers for infrastructure improvements. The amendments will clarify principles and criteria relating to levies for existing infrastructure, new infrastructure,

and the building of community facilities (fire halls, police stations, libraries, and recreation centres); will increase transparency and accountability in terms of how the levies are calculated, imposed, collected, and reported; and will outline the process, procedures, and timeframe for appeal of an off-site levy bylaw to the Municipal Government Board.

■ Subdivision and Development Appeal Board Mandatory Training Regulation (New Regulation):

Mandatory training will be required for members and clerks of subdivision and development appeal boards based on a standard curriculum. These boards hear appeals of decisions made by municipal subdivision and development authorities. By doing so, the boards promote local accountability; help ensure community development is aligned with statutory planning documents; and assist in achieving orderly, economical, and beneficial development. Prior to the adoption of the mandatory training policy, training was voluntary and delivered in multiple ways across the province.

Other regulations to be amended as part of the *Municipal Government Act* review include the: Subdivision and Development Regulation; Canmore Undermining Review Regulation; Canmore Undermining Exemption from Liability Regulation; Crowsnest Pass Regulation, Planning Exemption Regulation; Crown Land Area Designation Regulation; *Aeronautics Act* Agreements (City of Medicine Hat and Cypress County) Regulation; Calgary International Airport Vicinity Protection Area Regulation; and Edmonton International Airport Vicinity Protection Area Regulation.

Enhancing Municipal Accountability and Transparency

Four new regulations, once finalized and approved, will help implement policy changes to the *Municipal Government Act* to enhance municipal accountability and transparency:

1. Municipal Corporate Planning Regulation:

This regulation will outline the contents required in municipal three-year financial plans and five-year capital plans. These longer-term plans will be prepared by municipalities, in addition to the annual operating and capital budgets that were already required by legislation, to provide Albertans with greater access to information about municipal financial decisions.

2. Public Participation Policy Regulation:

This regulation will help implement the new requirement for a municipality to establish a public participation policy that outlines its approach for engaging with stakeholders. Municipalities were not previously required by legislation to set out policy in this area or make it publicly available.

3. Accountability and Conduct of Elected Officials:

This regulation will help implement a new requirement for each municipality to develop and adopt a code of conduct for municipal councillors. The new policy reflects a desire among Albertans to hold their councillors more accountable for their actions. The regulation will identify matters to be addressed in the municipality's code of conduct.

4. Municipally Controlled Corporations Regulation:

Significant amendments were made to the provisions in the *Municipal Government Act* for municipally controlled corporations. This regulation will address, for example, specific items to be included in the business plan to be considered by a municipal council before passing a resolution to control a corporation. The regulation will replace the existing Control of Corporations Regulation that allows for the establishment of a corporation controlled by a municipality or a group of municipalities.

Other regulations to be amended as part of the *Municipal Government Act* review include the Municipal Gas Systems Core Market Regulation, MuniSERP Investment Regulation, and Determination of Population Regulation.

Consistency, Efficiency, and Fairness in Alberta's Assessment and Taxation Framework

■ Matters Relating to Assessment and Taxation Regulation (Amendment)

This is the primary regulation for property assessment and property taxation, which:

- defines several important terms related to property assessment;
- provides a broad range of rules for assessing property and requesting information pertaining to property and property assessments;
- provides assessment and tax exemptions for farm residences and farm buildings;
- describes the process for preparing equalized assessments; and
- authorizes assessment audits.

This regulation, once finalized and approved, implements policy changes in the *Modernized Municipal Governance Act (MMGA)* that will:

- update several definitions related to industrial property;
- update the definition of "farming operations"; and
- establish a valuation standard for land and buildings on Designated Industrial Property sites, and add a reference to the list in the minister's guidelines of major plants to be considered for this type of property.

■ Matters Relating to Assessment Sub-classing Regulation (New Regulation)

This regulation will implement policy changes in the *MMGA* and define how municipalities create non-residential property sub-classes, which can be assigned different tax rates.

■ **Matters Relating to Assessment Complaints Regulation (Amendment)**

This is the primary regulation for assessment complaints. The amendments, once finalized and approved, will help to improve the efficiency of the complaints process.

■ **Construction Cost Reporting Guide (Amendment)**

This minister's guideline creates the framework for assessing machinery and equipment, and developing the rates for linear property. Stakeholders are actively involved in the discussion of this guideline.

■ **Community Organizations Property Tax Exemption Regulation (Amendment)**

This regulation will set out the conditions and qualifications for property tax exemptions for non-profit organizations that carry out a charitable or benevolent purpose for the benefit of the general public.

Other regulations amended as part of the MGA Review included: Qualifications of Assessor Regulation and Community Aggregate Payment Levy Regulation.

Key Strategy 1.4 Work in partnership with the cities of Calgary and Edmonton to develop city charters that reflect the unique circumstances of these major metropolitan centres and provide the necessary tools to govern efficiently and effectively over the long term.

Calgary and Edmonton are home to approximately two-thirds of the province's population, and this figure is expected to increase as a high proportion of those moving to Alberta settle in large city centres. While Calgary and Edmonton have evolved in response to growth – resulting in highly sophisticated and capable local governments – these pressures have generated key challenges for both the cities and the province. Among them are increasing expectations of citizens, pressures on the built and natural environments, heightened demand on social systems, and the need for economic diversification. The city charters under development for Calgary and Edmonton will help to address these challenges by providing the cities with the necessary flexibility and tools to effectively manage local matters, by adjusting some roles and responsibilities to leverage the strengths of all parties, and by formalizing a long-term collaboration between the province and the cities in areas of mutual interest.

Calgary and Edmonton are governed primarily by the *Municipal Government Act*, the legislative framework for the operations of all municipalities

in Alberta. The city charters will represent a new, more mature relationship between the province and its two major cities, allowing policies and legislation to be tailored to meet their unique circumstances. The *Municipal Government Act* has been amended to enable the creation of city charters, fulfilling a key commitment in the framework agreement signed by the province and the two cities in 2014.

From July 2015 to July 2016, city charter policy proposals were developed by task teams with representatives from Municipal Affairs, a number of other provincial ministries, and the two cities. The proposals fall into five main categories: 1) administrative efficiency; 2) community well-being; 3) community planning; 4) environmental stewardship; and 5) collaboration.

Public and Stakeholder Engagement

In September 2016, the provincial Cabinet and the two city councils granted approval for the charter proposals to be put before stakeholders and the public for input. This engagement process took place in October and November 2016, and

a 'What We Heard' Report is being prepared for public release later in 2017. Four sessions were hosted in each city for stakeholders and members of the public. The two public sessions in each city attracted 83 citizens in Edmonton and 247 citizens in Calgary. Representatives of 40 organizations attended the two stakeholder workshops in Edmonton, and representatives of 36 organizations attended the two stakeholder workshops in Calgary. These organizations included community league associations, developers, environmental groups, and social support organizations.

During the engagement sessions, some comments arose frequently. For example, there was a desire to see accountability mechanisms or processes put into place as a counterbalance to the greater autonomy and authority that would be granted by the charters to the cities. Other comments were made about the concurrent timing and the overlap in some topics under consideration as part of the city charter initiative and the *Municipal Government Act* review. There was a request for greater clarity on how the renewed *Municipal Government Act* and the city charters will work together once they come into effect. While these simultaneous processes have presented some challenges, all parties have worked diligently to reconcile issues that are best addressed by the city charters with those that are best addressed by the *Municipal Government Act*.

Finally, a number of questions arose as to why particular proposals that would seem to benefit all municipalities are limited to inclusion in the city charters, rather than the *Municipal Government Act*. At this stage, city charters are seen as an opportunity to pilot new and innovative ideas. As time goes on, there will be a need to determine, based on lessons learned, the degree to which some elements of the charters may be extended to other municipalities.

Overall, there was general support for the charter proposals during the consultations, along with input

on considerations that should be taken into account in implementing specific proposals to ensure the cities remain accountable to their citizens.

Work in Progress

Along with their work on policy proposals, the province and the two cities are working to develop a fiscal framework to help ensure all parties have the resources necessary to fulfill agreed-upon roles and responsibilities. It is anticipated further engagement will occur with the public and stakeholders on the fiscal framework, once a proposal is completed.

The draft city charters will be comprised of a regulation and a collaboration agreement. The proposed collaboration agreement commits the province and the two cities to working together in areas of mutual interest such as transportation, social policy, and environmental stewardship. It is anticipated the three parties will sign this agreement in 2017, that a draft regulation will be complete and posted online for public comment, and that the city charters will be enacted later in 2017.

Interjurisdictional Comparisons

The adoption of city charters for Calgary and Edmonton will be a first in the province's history. While many other Canadian cities have city charters or acts, including Montreal, Vancouver, Winnipeg, Halifax, and Toronto, they primarily address revenue sources, roles and responsibilities of the mayor, and financial management.

In Alberta, the *Municipal Government Act* already provides flexibility for municipalities to manage their own affairs in many matters. The proposed city charters in Alberta will address standard areas of focus, but will also include provisions that are beyond the scope of other charters in Canada, such as those designed to support community well-being, enable smarter growth and planning, and empower municipalities to be environmental stewards.

Key Strategy 1.5 Provide funding to municipalities to help them meet their strategic long-term infrastructure needs.

Municipal Sustainability Initiative

Municipal Affairs continues to support important municipal infrastructure projects through the Municipal Sustainability Initiative (MSI). This funding program balances accountability and transparency with significant municipal autonomy. Municipalities may use MSI capital funding to purchase, build, or rehabilitate a broad range of capital assets, according to local priorities as determined by municipalities themselves, within eligibility requirements set out in the program guidelines.

The MSI continues to be accountable and transparent to all Albertans. The municipal allocations and a list of accepted projects by each municipality are published on the website annually. Municipal Affairs staff conduct site visits to seek feedback on the MSI, determine areas for improvement, and discuss overall satisfaction with MSI processes and service levels.

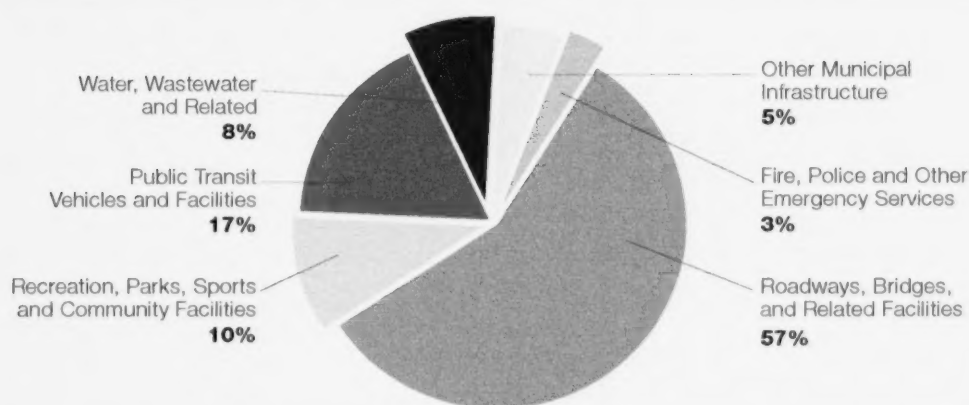
The MSI was announced as a ten-year program, concluding in March 2017. While the initial ten-year, \$11.3 billion commitment was not achieved due to changing economic circumstances, the program will invest about \$8.4 billion in municipalities (excluding the Basic Municipal

Transportation Grant) through 2017-18. The recently announced two-year extension of the program provides an opportunity to review the municipal funding framework to ensure the program continues to meet the needs of municipalities while continuing to provide stable funding.

In 2016-17, the ministry provided \$1.22 billion in provincial funding to municipalities through the MSI, \$847.7 million of MSI capital budget, \$340.7 million from the former Basic Municipal Transportation Grant, and \$28.3 million of MSI operating budget.

Capital Funding

MSI capital funding of \$1.19 billion in 2016-17 (including \$340.7 million from the former Basic Municipal Transportation Grant) provided infrastructure funding to municipalities to support a wide range of local priority infrastructure projects. Projects included: roads: bridges: public transit services, vehicles and facilities; recreation, parks, sports and community facilities; water, wastewater, and storm water systems; disaster and emergency services and facilities; and other municipal infrastructure.



**This chart includes project funds applied in the 2016-17 fiscal year for completed projects, and accepted projects that are not yet complete.*

A total of 870 MSI capital projects were accepted in 2016-17. Using MSI funding, these projects will invest an estimated \$1.51 billion in capital into Alberta municipalities with the goal of helping to stimulate Alberta's economy. A few of the projects underway include:

- upgrading the public transit buses with Smart Bus Technology in the City of Edmonton (improves reliability, predictability, accessibility, and safety of riders);
- contributing funding to the Calgary Zoological Society to expand the Calgary Zoo Treasures of China Exhibit in the City of Calgary (increase the level of tourism);
- renovating the Fort Saskatchewan Curling Club in the City of Fort Saskatchewan (address safety code deficiencies);
- Parkland County contributing MSI funds to the Town of Stony Plain for the construction of the Heritage Park Community Centre (regional municipal collaboration);
- constructing the Pigeon Lake regional wastewater line and life station in Wetaskiwin County (increase the number of citizens who have access to safe wastewater collection and treatment);
- replacing a bridge culvert on Township Road 792 in the Municipal District of Smoky River (address public safety and structural concerns);
- rehabilitating the Town of Manning's swimming pool jointly funded with the County of Northern Lights (increase regional collaboration and address public health concerns);
- constructing a town office in the Town of Bonnyville (more energy efficient and sustainable);
- upgrading the Village of Berwyn's library (community connectivity and increased learning);
- purchasing community welcome and fire hazard rating signs in the Summer Village of Sunset Beach (increased public awareness, safety, and enhanced visitor experience);
- purchasing of a fire truck for the Peavine Metis Settlement (increased fire protection services).

These projects are examples of the variety of benefits for Albertans as a result of infrastructure funding, including greater connectivity and transit services, enhanced recreational and community experiences, and safe and secure wastewater and water infrastructure.

Operating Funding

In 2016-17, the ministry budgeted \$30 million in MSI operating funding to help municipalities address local priorities. Of this budgeted \$30 million, \$28.3 million was provided as operating funding, and \$1.7 million was transferred to capital funding, at the request of municipalities. Funds were allocated to projects that supported the following: municipal viability and long-term sustainability (19 per cent); the maintenance of safe, healthy, and vibrant communities (45 per cent); the development and maintenance of core municipal infrastructure (34 per cent); and capacity building (two per cent).

For example, the Municipal District of Foothills received approximately \$250,000 in operating support for the delivery of joint information technology services with the Town of High River. The Village of Ferintosh received approximately \$30,000 in operating support for a shared chief administrative officer position with the Village of Edberg.

Grants in Place of Taxes

Through the Grants in Place of Taxes program, \$52.5 million was provided to 170 municipalities in 2016-17. This \$12.1 million decrease from the previous year was due to the Government of Alberta's decision to discontinue payment of the education property tax requisition and seniors' lodge requisitions on Government of Alberta properties, as well as reduced property values.

As Government of Alberta property is exempt from taxation, the department gives municipalities grants in place of taxes not exceeding the value of the property taxes on eligible Government of Alberta property within the municipality. The grant recognizes the Government of Alberta, the same as other property taxpayers, benefits from municipal services such as roads, snow clearing, transit, and emergency services.

Municipal Sustainability Initiative Online System

Municipal Affairs has responded to municipal requests for simpler and more efficient online access to grant administration with the Municipal Sustainability Initiative Online system, which has allowed municipalities to submit all required MSI grant applications and reporting through a simple, user-friendly, web-based system. This system, which lets municipalities obtain up-to-date information on their MSI capital infrastructure projects, has helped streamline the grant administration process. Access to the online system has been provided to 97 per cent of all municipalities.

To support fiscal accountability, information about the MSI is made available on the Municipal Affairs website at www.municipalaffairs.alberta.ca/msi. This includes a summary of grant amounts by municipality and program.

A list of provincial grants available to municipalities is also maintained on the Municipal Grants Web Portal, including budget information, application guidelines, and eligibility requirements. The portal provides summaries – by municipality and constituency – of grant funding received in the prior fiscal year, as well as a summary report demonstrating how municipalities used provincial funding.

Examples of eligible properties include provincial buildings, courthouses, correctional institutions, and grazing reserves. Grants are also provided to cover the municipal portion of property taxes on specified non-profit, unsubsidized, self-contained seniors' accommodations.

In 2016-17, \$351,667 in property tax funding was provided to municipalities affected by the 2013 flooding. This grant funding was provided in place of property taxes on properties purchased by the Government of Alberta's Floodway Relocation Program.

Federal Programs Federal Gas Tax Fund

In 2016-17, the federal Gas Tax Fund provided \$219 million to municipalities to help them build and revitalize their local public infrastructure, while creating jobs and long-term prosperity. Eligible project categories include roads and bridges; public transit; drinking water; wastewater; solid waste; community energy systems; sport, recreational, cultural, and tourism infrastructure; capacity building; disaster mitigation; brownfield redevelopment; broadband connectivity; and local and regional airports.

The federal Gas Tax Fund requires an asset management approach be developed. The goal of infrastructure asset management is to establish a process for making informed decisions that support the delivery of sustainable services, management of risks, and value for money. In 2016-17, Municipal Affairs completed phase one of its approach to asset management, in co-ordination with municipal associations. This included:

- publishing an inventory of current asset management tools and resources;
- supporting the development of new tools that support asset management; and
- enhancing existing advisory services and training opportunities.

In phase two, Municipal Affairs will continue to assess existing information gaps and expand tools and resources. The *Modernized Municipal Government Act* includes a new corporate planning provision that requires municipalities to prepare a written plan regarding anticipated capital property additions over a period of at least the next five fiscal years. Municipal Affairs will assist municipalities in implementing these requirements.

Small Communities Fund

Under the federal New Building Canada Fund – the Small Communities Fund, Alberta and Canada each committed \$94 million to fund infrastructure projects that benefit communities with populations less than 100,000 (as determined by the Statistics Canada Final 2011 Census). Approved projects are generally funded on a one-third cost-sharing basis, with the federal,

provincial, and municipal governments all providing equal amounts toward eligible project costs. Fifty-six projects were approved under the Small Communities Fund in 2015 and \$73.8 million was committed to these projects in 2016-17, including: 24 drinking water projects, 24 wastewater projects, four projects involving major roads, two disaster mitigation projects, and one project each for disaster mitigation and solid waste management.

Key Strategy 1.6 Enhance Albertans' access to public library resources by continuing to provide operating grants and invest in the province-wide library network.

Public libraries help support strong and healthy communities in Alberta. They are where Albertans go to connect to the world of information, borrow a novel, learn a second language, or access high-speed internet, as examples of the many public services provided by public libraries. It is important to the well-being of all Albertans and their communities that they have access to public library resources, regardless of where they live. The Government of Alberta promotes a provincial public library network that provides all Albertans with access to library resources, including: inter-library loan service and delivery; SuperNet connections for video conferencing and access to e-content; and a number of digital materials made available to all public libraries.

Municipal Affairs works to strengthen municipal and regional library systems to provide Albertans with access to library services. In 2016-17, the ministry achieved this through several key initiatives, indicated below:

Enhancing the Organizational Capacity of Library Boards

Public library service is delivered at the municipal level and is governed by library boards. Different municipalities have different needs and learning environments that access to library resources can support. To support these needs, the ministry undertook work to optimize library performance and service models in Alberta. In 2016-17,

this included continuing the Research Project on School Housed Public Libraries in Alberta, accomplished by a census of public libraries housed in schools that resulted in a more comprehensive understanding of the benefits and challenges of these arrangements. Data gathered from this research project will help library boards provide municipal public library service from school buildings. A final report on this research project and its findings will be available during 2017-18.

To support good governance and management of public library service, the ministry provided library boards with consulting, training sessions on library planning and policy development, and other support materials used to develop sound management and operational practices. In 2016-17, the ministry delivered a Board Basics program to 92 library board trustees in eight locations throughout the province, and made presentations to stakeholders on subjects such as development of the Alberta library network, e-books, and e-content in library collections.

Operating Grant Funding

In 2015-16, the Government of Alberta increased funding for operating grants to public library boards by \$3.5 million, and included a 10 cent increase in the per capita funding rate. During 2016-17, this increased funding helped libraries deliver their programs to Albertans, including:

- support for individuals looking to improve their employment skills, and
- support for new Canadians – including refugees – using the public library to improve their English language skills.

Electronic Resources

One of the ways the ministry partners with its public library stakeholders is by enhancing the availability and scope of modern electronic resources in libraries. The investments made by the Government of Alberta benefit library boards by allowing them to reallocate local funds into other resources that meet local needs, resulting in a wider range, quantity, and quality of library resources available to Albertans. In 2015-16, e-resource contracts were extended for a two-year period to ensure uninterrupted service, while allowing the department adequate time to evaluate and procure replacement e-resources. During 2016-17, these evaluations were done, e-resource contracts were extended accordingly, and new contracts were created for replacement resources where older ones were discontinued or new ones were deemed more responsive to needs.

A major initiative, *Read Alberta E-Books*, was launched online during February 2017. The ministry partnered with the Book Publishers Association of Alberta to make over 1,000 Alberta-published ebooks available to readers across the province. The largest of its kind in Canada, this ebook collection represents 24 Alberta publishers with ebooks available in genres including: literary fiction; graphic novels; poetry; drama; mystery; memoir; biography; self-help; humour; scholarly; young adult; and speculative fiction. In the short time since its launch, the ebooks service has been well-received by Albertans, and the collection is expected to grow significantly in coming years in response to increasing user demands.

Managing SuperNet service and functionality for the Alberta library network is an increasingly important part of the work to extend equitable access and expand available resources. The ministry subsidizes SuperNet use for all library boards in Alberta and continually monitors SuperNet usage and needs. SuperNet usage patterns and the underpinning technologies are

reviewed and enhanced on an ongoing basis, in order to optimize present and future bandwidth needs for library boards.

Public Library Services for Indigenous Communities

Indigenous people on First Nations reserves and Metis Settlements have long been underserved in terms of public library services. In 2016-17, in order to enhance access to library services, the department provided \$670,000 to remove barriers and improve access to library services for Indigenous communities. This funding was granted to six regional library systems, each of which created and implemented local and regional programs to remove non-resident library card fees for Indigenous communities utilizing off-reserve/settlement public libraries.

As part of this initiative, the department held a symposium in February 2017 titled *Public Library Services for Indigenous Communities*. This symposium featured presentations by Aaron Paquette, an Alberta-based author and illustrator who is an acclaimed spokesperson for Indigenous people. The symposium was attended by 150 people from the provincial library community and First Nations and Métis communities, and it generated ideas on how to better serve Indigenous communities. The ministry received positive feedback on the symposium itself and on the subject matter.

The 2017 symposium was the third in a series of annual symposiums planned and presented by the ministry, each of which addressed present challenges and future opportunities for positive development in the public library community across Alberta.

Resource Sharing

There is continued support for resource sharing among Alberta's 320 public libraries. In 2016-17, the department met with stakeholders to review resource-sharing policies and practices, and an in-depth review of the government-funded interlibrary loan delivery service began with a view to exploring options for increasing the efficiency, scope, and effectiveness of the service.

Minister's Awards for Excellence in Public Library Service

In 2010, the Minister's Awards for Excellence in Public Library Service program was introduced in response to government direction to designate public libraries with innovative programs, services, or technologies as centres of excellence. The awards recognize excellence and innovation in public libraries annually. This awards program is a way to identify, acknowledge, and encourage best practices, and to capture and communicate ideas that can be replicated by libraries across Alberta.

The program is open to all public library boards in Alberta. Five winners were selected and presented with their awards by the Minister of Municipal Affairs at the Alberta Library Conference in April 2016:

City of St. Albert Library Board for their Reading Buddies Program

Reading Buddies is one of the St. Albert library's programs and initiatives designed to cultivate a love of books and reading, and to support early literacy skills. The program offers children in Grades 1-3, some of whom may be facing reading difficulties, the opportunity to practice their reading skills in a fun, encouraging, and safe atmosphere. Children are paired with members of the community, their Reading Buddies, who volunteer their time on a weekly basis to listen to the children read, to share a book, and play literacy games.

City of Camrose Library Board for their Book Bike

Alberta's first "Book Bike" launched June 2015 after much hard work and anticipation. A crowdfunding campaign, local businesses, and library patrons funded the project. The Book Bike is a small mobile library fitted onto a custom-made cargo tricycle that creates off-site access to library programs and resources for the community. The Book Bike has visited playgrounds, parks, seniors' homes, small businesses, City Hall, summer camps, the University of Alberta Augustana Faculty, and elementary and junior high schools in Camrose.

Town of High River Library Board for their Family Literacy Kits

The High River Library creates Family Literacy Kits for the patrons to take home. These kits include books, toys, and CDs. What makes these kits unique is they include worksheets and activities to help the parents learn how to extend teachable moments. Depending on the theme of the kit, the activities may also involve crafts, cooking, math, and letter and sound recognition.

Regional Municipality of Wood Buffalo Library Board for their Total Aboriginal Cultural Corner

The Total Aboriginal Cultural Corner was first proposed after a community meeting in 2011. The Cultural Corner is a centrally-located space, devoted to Aboriginal cultures and collections. The Cultural Corner houses their growing First Nation, Métis, and Inuit (FNMI) collection, and has been designated with an in-house designed label.

YOU Libraries winner: Town of Swan Hills Library Board for their L2D (Learn to Drive) program

The L2D (Learn to Drive) program and kit allows libraries to host an interactive program that helps patrons attain their class seven learner's licence. The library manager developed the program in partnership with a regional traffic safety consultant.

Outcome Two: A stronger system of standards ensuring quality infrastructure so that Albertans are safe in their homes and communities

Key Strategy 2.1 Work to harmonize safety codes with national and international codes and ensure they are adopted in a timely manner.

Timely Code Adoption

Progress continues to be made on timely code adoption and harmonization. This process is intended to make it easier for Alberta to stay current with national and international code editions as they are published. This enhances Alberta's trade and labour mobility by standardizing elements of safety codes across the country, and ensuring they are adopted in a predictable and timely manner.

In 2016-17, two new codes were added to the timely adoption standards: the new edition of the National Plumbing Code, and a new code in the amusement rides discipline that will replace the previous. This leaves only four disciplines under the *Safety Codes Act* without complete transition to timely code adoption: building, fire, elevating devices, and passenger ropeways.

New National Plumbing Code Adopted

Changes to the National Plumbing Code include enhancements to reflect heightened water efficiency standards. New mandatory low-flow requirements have been implemented that will limit the maximum water-use for toilets and urinals. Stainless steel has been added as acceptable material for plumbing systems to better reflect current industry practice and to limit enforcement issues when assessing building compliance. Water reuse has also been enabled in the new plumbing code, allowing largely clean water to be reused for non-potable applications such as toilet flushing and sub-surface irrigation.

New Amusement Rides Code Created

The existing Canadian Standards Association code that covered amusement rides was phased-out in favour of a newly harmonized international code to be used in both Canada and the United States. This new international standard has replaced the old Canadian specific code, and provides a level of consistency while eliminating duplication of technical committee work. All amusement rides must meet a set of core standards (including operation, maintenance, inspection, terminology, design, and manufacturing requirements), and transition to the new code is not expected to be complicated. The standards are already being used within the industry, and the Alberta Elevating Devices and Amusement Rides Safety Association will be training safety codes officers on the use of the new standards in conjunction with the Safety Codes Council.

Performance Measure

2.a Number of safety codes delayed more than one year before coming into full force

Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17
7	1	4	3

Performance measure variance

The following section explains the results of **performance measure 2.a**, "Number of safety codes delayed more than one year before coming into full force."

The target of 3 was not met; with an actual result of 4.

The target for 2016-17 was three codes, as the National Energy Code for Buildings, the Alberta Building Code and the Alberta Fire Code, were targeted to be delayed more than one year before coming into force. In addition to these three codes, one code under passenger ropeways exceeded the one-year period from publication to coming into force. As a result, four codes were delayed more than one year before coming into force.

The building, fire, and energy codes were intentionally delayed, as these three codes are undergoing a substantial harmonization with the national publications. Until this harmonization is achieved, these codes will be delayed and are not ready for automatic adoption in regulation. Harmonization with the national publications is scheduled for the 2020 national publication code cycle.

The passenger ropeways code had been anticipated to be adopted in 2016-17; however, due to slight delays in Alberta's code development process, the code will not come into force until June 1, 2017, which misses the one-year coming into force date by three months. The code also now has automatic adoption under the regulation.

The delay was a matter of code development procedure, which will not occur again because the code is now under automatic adoption.

Of the 35 codes adopted by regulation under the *Safety Codes Act*, 31 codes are now up to date.

The ministry is moving toward complete automatic adoption of safety codes, as there are now 77 per cent of safety codes with automatic adoption in regulation, which ensures timely adoption of safety codes.

Harmonizing codes means that Alberta codes have the benefit of the most recent safety analysis for code requirements by recognized expert code development government bodies and standards organizations, such as the National Research Council and the Canadian Standards Association. It also allows for the use of the most recent technologies and materials. Harmonizing codes in time through use of automatic adoption ensures updated codes come into force within one year, and that Albertans – including industry, municipalities, and other stakeholders – are able to use codes that are in use across Canada or internationally. Timely code adoption also provides predictability for stakeholders and allows training institutes to prepare curricula and industry to prepare for new changes a year in advance.

Key Strategy 2.2 Review and enhance the safety codes system's quality assurance framework to ensure that municipalities, corporations and agencies are effective in their enforcement of Alberta's safety codes.

Alberta Safety Codes Authority Launched

On May 1, 2016, the Alberta Safety Codes Authority, a division of the Safety Codes Council, became responsible for overseeing safety codes compliance monitoring (permitting and inspections services) in all unaccredited municipalities on behalf of the Government of Alberta. Alberta has 101 unaccredited municipalities, which represent over 300,000 Albertans across a large geographic area.

The Alberta Safety Codes Authority successfully launched and began issuing permits on May 2, 2016, with a total of 7,502 permits issued between its launch and December 31, 2016. Its goal is to enhance public safety by providing improved, sustainable service delivery for unaccredited municipalities. This will be achieved by increasing oversight to ensure construction projects are built safely and comply with provincial codes and standards.

A new permit fee structure was introduced, similar to those in other accredited municipalities, to standardize the fees across all unaccredited municipalities. The new accountability framework will require agencies accredited under the *Safety Codes Act* to remit fees collected from permit applicants to the Alberta Safety Codes Authority, which will then provide payment to the agencies as inspection work is satisfactorily completed. Albertans in unaccredited municipalities will continue to receive timely permit reviews and project inspections consistent with services provided by major accredited municipalities at a fair and reasonable cost.

Quality Assurance Framework Consultations

In order to take stock of the state of the safety system in Alberta, Municipal Affairs undertook a consultation process in partnership with the Safety Codes Council. Staff met with the Safety Codes Council's technical sub-councils to discuss the ways in which the system functions, where there are gaps in the system that need to be addressed, and what can be done to address these gaps.

Issues raised at the meetings included: the increasing complexity of safety codes and standards, and the communication of code changes to the public; a concern that there may not be enough safety codes officers trained in certain disciplines; the variability between how the system works in rural versus urban areas; and the lack of consistent data.

The information gathered from these sessions is being used to highlight the areas that both the Safety Codes Council and the Public Safety Division can prioritize in future initiatives.

New Data/Analytics Focus

During the quality assurance framework consultations, all disciplines identified a weakness in the level of data and statistics available to assess issues, identify trends, and manage the safety system effectively.

In an early example of this new data focus, Municipal Affairs met with stakeholders and experts in the field of fire investigation to get a better understanding of the decision and prioritization processes for triggering investigations and of the end goal of conducting these investigations. Municipal Affairs wanted to determine whether Alberta was investigating the right fires to get the right data to improve public safety. There was considerable interest in this process, and representatives from across the province attended, including fire officials and investigators from law enforcement. The results from this discussion are expected to be incorporated into future policy decisions within the department as it continues to implement the policy directions described in the fire/search and rescue strategy document.

In addition, Municipal Affairs commissioned multiple surveys that will allow the government to better understand outcomes in the safety codes system, Alberta's fire services, and the New Home Buyer Protection Office. The safety codes survey is being managed by the Safety Codes Council and will survey safety codes officers, industry, and the public on their views of the safety codes system. The fire services survey is being managed by the Alberta Fire Chiefs' Association and will establish a profile of Alberta's fire service. These surveys will inform government's policy and program development.

Municipal Affairs has supported the Safety Codes Council in their effort to build a new version of the e-SITE system, with a focus on using how it gathers data to improve and strengthen the safety system. Work continues on the development of an enterprise geographical information system, a technology that proved invaluable in compiling and sharing data in the aftermath of the fire in the Regional Municipality of Wood Buffalo.

Addressing Concerns from the Persons with Developmental Disabilities Community

This year, Municipal Affairs provided support to Human Services as they reviewed standards of the Persons with Developmental Disabilities (PDD) program. The application of building and fire codes to PDD residences was of particular concern to the PDD community. Residents expressed concern to the government that if the occupancy standards were applied to them as required by the PDD regulation, many in their

community could be forced out of their homes if landlords chose to evict them instead of making costly renovations to buildings that would bring them to a higher safety standard.

In response, Human Services and Municipal Affairs were involved in a PDD safety standards consultation team. Following the consultation, the final report called for PDD residences to be treated like any other home, including how safety codes applied to them. The minister signed a new order that ensured PDD residences would be treated as homes under the building and fire code.

Key Strategy 2.3 Support the long-term sustainability of local fire and rescue services.

New Fire/ Search and Rescue (SAR) Strategy

Following discussion with fire service stakeholders, Municipal Affairs released Alberta's Fire/SAR Strategy: A Plan for the Office of the Fire Commissioner. In it, the current and future role of Municipal Affairs in both fire safety and search and rescue activities in the province were explained, including how existing field staff will be refocused to provide regionalized support across the province.

Going forward, the Office of the Fire Commissioner will move away from transactional, operational duties already provided by fire/SAR services in the field. Instead, the Office of the Fire Commissioner will work on system quality and co-ordination, public education, and other proactive fire/SAR prevention roles. Municipal Affairs will gather and analyze fire and SAR data for Alberta, and use its expertise to help develop better, more effective safety systems, training, and public education programs in the fire and SAR sectors.

Wildland-Urban Interface Firefighting Discussions

Following the devastating fire that swept through a large part of Slave Lake in 2011, the government provided funding to establish a firefighting

response team based in Slave Lake that is trained to respond to fires that threaten the "wildland-urban interface" area where communities are adjacent to forested areas. This type of firefighting requires a unique skillset that is rooted in both structural (typical municipal firefighting training) and wildland firefighting skills, as fire behaviour and response techniques differ greatly between forested and developed areas.

Following the 2016 fire in the Regional Municipality of Wood Buffalo, further discussions occurred between Municipal Affairs and the Ministry of Agriculture and Forestry to increase this type of firefighting capacity in the province. To help accomplish this, the ministry has also partnered with the Alberta Fire Chiefs Association and provided them a \$1.6 million grant to help build this needed capacity. As a result, plans are underway to ensure more trained firefighters are ready to respond, and that appropriate equipment is available and ready to be deployed when necessary. These plans include not only immediate strategies for deployment of teams when a fire threatens a community, but also prevention measures to assist municipalities bordering forests to plan their developments to be more wildfire resilient. Through public education, these teams can also provide individual homeowners with FireSmart programming to help

them make informed decisions about landscaping and building material choices when living in an area at increased risk of fire.

SAR Scene and Other Search and Rescue Work

Municipal Affairs hosted the national 2016 SAR Scene conference for members of the SAR community, which drew participants from across the country. The conference also included a public education and awareness component, with live demonstrations of SAR processes and equipment. Municipal Affairs continued to provide support to Search and Rescue Alberta – the provincial association for SAR teams – to provide training and to conduct further information gathering on Alberta's SAR system.

Performance Indicator

2.a Loss (in dollars) per capita, to fires in a calendar year

2012	2013	2014	2015	2016
125.90	127.47	103.64	138.96	575.43 ¹

Note:

¹ The result for 2016 includes the May 2016 fire in the Regional Municipality of Wood Buffalo. When the Wood Buffalo wildfire is removed from this per capita loss, the number is \$168.21.

The \$575.43 fire loss per capita reported in 2016 represents a 297% increase over the 2015 figure of \$144.96. However, the reported measure includes reported fire losses for the Wood Buffalo wildfire, which started on May 3, 2016 and represents one of the largest natural disasters in Canadian history.

In order to provide meaningful comparison and analysis for previous years, the 2016 fire loss statistics were separated to isolate the effect of the wildfire from other fire activity in Alberta. When wildfire data is excluded, the 2016 per capita loss of \$168.21 represents a 16.0% increase from the 2015 figure of \$144.96.

The increase from 2015 to 2016 (excluding the Wood Buffalo wildfire) is partly explained by differences in where fires occurred and how fires started. In 2015, fires in apartment buildings accounted for \$69.8 million in fire loss (\$17.22

per capita), compared to \$152.8 million in 2016 (\$37.30 per capita). Fire loss at year-round hotels, inns, and lodges totalled \$10.7 million in 2015 (\$2.63 per capita) compared to \$63.4 million in 2016 (\$15.47 per capita). Fire loss at petroleum or natural gas facilities increased from \$5.4 million in 2015 (\$1.34 per capita) to \$42.0 million in 2016 (\$10.26 per capita). Other property classifications saw lower per capita fire loss in 2016, including mobile homes (\$5.49 per capita in 2015 compared to \$1.40 per capita in 2016), colleges and universities (\$2.83 per capita in 2015 compared to \$0 in 2016), and medical, health, research, or scientific office (\$14.86 per capita in 2015 compared to \$0 in 2016).

The breakout of fire loss by the action (or lack of action) deemed to have been the cause of the fire also varied from 2015 to 2016. Generic classifications account for most increases; "Act or Omission" accounted for \$178.8 million in fire loss in 2015 (\$44.16 per capita), compared to \$296.1 million in 2016 (\$72.27 per capita), while undetermined mechanical or electrical failures increased from \$22.9 million in 2015 (\$5.66 per capita) to \$31.2 million in 2016 (\$7.61). Fires set by children ages 12-17 increased from \$189,000 in 2015 to \$6.8 million in 2016. At the same time, there are several causes for which loss value from fires decreased. Fires caused by electrical short circuits decreased from \$77.4 million in 2015 (\$19.12 per capita) to \$19.8 million in 2016 (\$4.83 per capita). Fires caused by smokers materials decreased from \$49.9 million in 2015 (\$12.33 per capita) to \$36.5 million (\$8.91 per capita). Arson-related fire loss remained relatively unchanged, at \$64.3 million in 2015 (\$15.89 per capita) compared to \$63.2 million in 2016 (\$15.44 per capita).

The nature of fire is such that a single major fire can significantly impact annual statistics. One high intensity residential fire, or the arson-related destruction of one historical railway trestle, can increase or decrease annual per capita fire loss by several dollars. More meaningful indicators are required to monitor – and provide baselines to compare – the fire service in Alberta.

Key Strategy 2.4 Support the implementation of codes that address climate change and water conservation.

Energy Code Implementation

In 2015, the Alberta government introduced two new energy codes – the National Energy Code for Buildings (NECB), for large projects in which engineering is involved, and the energy efficiency for houses portion of the Alberta Building Code. Each had a six-month transition window before their use became mandatory. These energy codes are a significant change in how buildings are designed, constructed, and maintained, including changes in electrical, fire safety, and building envelope systems.

Despite general stakeholder interest and support for the new codes, there was growing concern from both municipalities and industry that they were not prepared enough to implement

enforcement of the new energy efficiency standards. Both industry and municipalities were concerned they would not have the expertise in place in time to meet the implementation deadline. This would have required training engineers, architects, safety codes officers, and various municipal officials in order to ensure the codes were being correctly followed and there was adequately trained oversight in place to enforce the codes.

To address these issues, a six-month extension was issued for the NECB's mandatory transition date – to November 1, 2016 – during which the NECB would still be allowed for construction in Alberta, but that would provide municipalities, trades, designers, and other code users additional time to adjust to the changes and receive training.

Key Strategy 2.5 Review new home buyer protection policies to ensure builders and warranty providers are providing effective services.

Enhanced Builder Information

After the fire in the Regional Municipality of Wood Buffalo in May 2016, there was concern homeowners who had lost everything could be re-victimized by fraudulent or “fly-by-night” builders who may try to take advantage of a perceived boom in rebuilding activity. In order to mitigate against this, Municipal Affairs planned, built, and implemented a system to gather and publish information about the history and track records of any builder intending to build homes in Fort McMurray for consumer awareness. As of the end of the 2016-17 fiscal year, there were more than 175 builder declarations registered in the system, with more being added regularly.

Builder Licensing Consultation

Based on the experience with the Enhanced Builder Information program, Municipal Affairs developed policy surrounding a broader province-wide builder licensing program. The government then consulted with homeowners and homebuilders in communities across the province – in Edmonton, Calgary, Lethbridge, Red Deer, Grande Prairie, and Fort McMurray – to gather opinions and feedback on the proposed builder licensing policy direction. Additional consultation sessions were held with warranty providers, the real estate community, relevant staff from other Government of Alberta ministries, and officials from provincial builder licensing programs across Canada.

In addition to the consultation sessions, an online survey was also published to make it easier for those who may not have been able to attend a session to share their opinions with the government. Reaction to this call for public commentary was significant, and the feedback has been a valuable resource when planning the builder licensing program. Results of the consultation indicated that nearly 80 per cent of

survey respondents were in favour of government exploring options for licensing builders.

The legislative framework for builder licensing, the *New Home Buyer Protection Amendment Act, 2017*, was introduced into the House in the spring 2017 session. It was passed on May 18, 2017, and will come into force in fall 2017. Regulations in support of the legislation will be developed over the course of the summer 2017.

2016 Regional Municipality of Wood Buffalo Wildfire

The May 2016 fire in the Regional Municipality of Wood Buffalo affected the ministry in a wide range of ways, both personal – many staff have family and friends who live in the community – and professional.

The Office of the Fire Commissioner provided assistance at the Provincial Operations Centre in Edmonton, where they helped the Alberta Emergency Management Agency find the fire resources they needed as the fire continued to burn in the community. Once it was safe for staff to enter the affected neighbourhoods in Fort McMurray, all of the Office of the Fire Commissioner's field staff responded to the scene where they assisted with the staging area and conducting fire reporting for the 7,000 pieces of damaged property. This information from the ground was compiled on tablets using a cutting-edge map-based mobile reporting tool developed in the Public Safety Division to facilitate fire investigation and reporting. The tool was also made available to insurance adjusters in an attempt to collaborate and enable them to process claims more quickly. This streamlined data acquisition and proved very popular among front-line users.

While many Public Safety Division staff were called out to respond to the scene in the days following the fire, many stayed behind to contribute to the response and recovery effort from a distance. The division's call centre took a high volume of calls both from evacuated residents looking for information, and from other people across the country who wanted to offer their help in whatever way they could.

Once the initial response phase turned to recovery, the division remained actively involved in other ways. To provide residents looking to rebuild with additional information when choosing a builder, the division launched the Enhanced Builder Information program to collect and verify basic information about builders looking to build in the Regional Municipality of Wood Buffalo.

Through the development and implementation of a builder licensing program, the New Home Buyer Protection Office's warranty program, and an increase in FireSmart public education initiatives, the Public Safety Division will also play a role in the rebuilding of Fort McMurray.

Outcome Three: Albertans have an enhanced ability to prepare for, respond to, and recover from emergencies and disasters

Key Strategy 3.1 Continue to refine the Disaster Recovery Program to ensure disaster financial assistance is provided to Albertans recovering from disaster in a timely, consistent, and efficient manner.

Disaster Recovery Transformation

Disaster Recovery Programs are grant programs that financially assist Albertans with their recovery from uninsurable losses or damages resulting from a disaster. The southern Alberta floods in 2013 tested existing program policies and procedures, clearly identifying areas for improvement in service delivery. As part of the ministry's commitment to implement a continuous improvement process based on lessons learned, the administration of Disaster Recovery Programs was transferred from a contracted service provider to the Alberta Emergency Management Agency in 2014-15. The transition of program administration to Municipal Affairs presented a unique set of challenges, including: incompatible software; hiring and training new staff in a short period of time; and the growing pains of implementing a new case management model. These challenges affected the timeliness of payments to applicants and made it difficult to track and report on the services provided to Albertans.

In 2016-17, the ministry continued to transform the Disaster Recovery Program to enhance service delivery. Highlights of this work include:

- A project management office has been established to track and report on the implementation of 11 priority projects developed in response to a program audit by the Office of the Auditor General in 2015-16. These projects are intended to stabilize and improve administration of the program. In 2016-17, the ministry completed

one of the projects, and work will continue on the remaining 10 projects in 2017-18. Completion of all but four of the 11 projects is anticipated by September 1, 2017.

- Discussions with program stakeholders and community interest groups, such as the High River Advocacy Group, have highlighted strategies and opportunities for enhancing service delivery, which were implemented where feasible and when compliant with the program.
- A new regional approach for municipal and First Nations recovery case managers enabled the ministry to increase intra-departmental collaboration and develop strong partnerships with communities for emergency management activities.
- In early 2017, the provincial Wildfire Recovery Task Force was consolidated within the Alberta Emergency Management Agency. This reorganization centralized cross-ministry expertise into one area and increased capacity for future disasters and emergencies.
- New software to improve case management for the Disaster Recovery Programs is under development and scheduled for roll-out in the next fiscal year. The software will allow applicants to pre-screen their applications to assess whether they may be eligible for the program and track the status of their applications online.
- An actuary has been hired to conduct a valuation of future program liabilities and

- evaluate the efficiency in comparison to private industry and other government grant programs.
- The Alberta Emergency Management Agency has identified performance measures for each business area in its Recovery Branch, which leads recovery efforts.
- New engineering assessment and damage valuation processes were developed in order to provide faster, higher-quality engineering damage reports and maximize federal cost-sharing for future Disaster Recovery Programs.
- The ministry is working closely with Public Safety Canada, other Government of Alberta ministries, and the insurance industry to better understand the emerging market for overland flood insurance. This initiative allows the ministry to ensure that program policies are in-line with ongoing developments.

Disaster Recovery Program Administration

The 2016 Regional Municipality of Wood Buffalo wildfire tested the ministry's ability to deliver core Disaster Recovery Program services, while also supporting the Government of Alberta's recovery efforts with the Wildfire Recovery Taskforce. Despite these challenges, a great deal of work was completed in 2016-17, including:

- Providing \$107.8 million in advance funding for the 2016 Regional Municipality of Wood Buffalo Disaster Recovery Program related to the 2016 wildfire. The municipality submitted an application for disaster financial assistance, estimating \$175 million in emergency operations costs and \$140 million in recovery costs.
- Completing the closure of over 99 per cent of the private applicant files from the 2013 Southern Alberta Disaster Recovery Program related to the 2013 southern Alberta floods. A total of \$308 million has been provided in disaster financial assistance to municipalities and First Nation communities impacted by the floods.
- Completing the closure of 100 per cent of the private applicant files from the 2014 Southwestern Alberta Disaster Recovery Program related to the 2014 flooding in southwestern Alberta. A total of \$7.1 million has been provided in disaster financial assistance to municipalities and First Nation communities, closing 70 of 108 total projects.
- Continuing to support the implementation of the long-term recovery plan in the final year of funding for the Town of High River. This plan was jointly developed by the town and the province in 2014. Support for the plan's implementation includes advice on cross-ministry co-ordination and a single point of access for provincial programs and services, transitioning High River to routine levels of provincial support in the coming year.
- Completing the closure of 100 per cent of the private applicant files from the 2015 South Central Alberta Disaster Recovery Program related to 2015 rainstorm in Chestermere and Rocky View County.
- Closing 27 of 28 non-federally cost-sharable Disaster Recovery Programs from 2010, 2011, and 2012. These programs were in response to various disasters, including flood, wind, and fire events.

2016 Regional Municipality of Wood Buffalo Wildfire

On May 1, 2016, wildfire crews spotted a two-hectare wildfire in the Regional Municipality of Wood Buffalo, burning deep in the forest southwest of the urban service area of Fort McMurray. Strong winds and 30 degree temperatures helped fuel the fire and in two hours, the wildfire grew to 60 hectares. In two days, it spanned 2,600 hectares, and on May 3, it entered Fort McMurray, threatening not only the wildland but the people who lived in and around the community.

Aptly nicknamed “The Beast” by Fort McMurray Fire Chief Darby Allen, the wildfire continued to grow as it spread across the region, forcing the evacuation of more than 88,000 people – one of the largest in Canadian history – and destroying more than 2,400 homes and businesses in the Regional Municipality of Wood Buffalo. The wildfire grew from 101,000 hectares on May 5, to over 589,000 hectares by June 10.

The wildfire would scorch more than 5,000 square kilometres in northeastern Alberta before moving into Saskatchewan. On May 31, the fire’s threat to Albertans diminished, but not before “The Beast” changed the landscape – and tens of thousands of lives – forever.

Throughout the emergency response and re-entry phase, the Provincial Operations Centre was elevated to Level 4 – the highest possible level – which requires representation from all Government of Alberta ministries. The ministry’s Alberta Emergency Management Agency led the co-ordination of the emergency response. On May 4, Premier Notley declared a provincial State of Emergency. This was the second time the province declared a State of Emergency; the first was during the Southern Alberta Floods in 2013.

The Wood Buffalo wildfire stretched the resources of the ministry, the Government of Alberta, and supporting communities to their limit. During the height of the emergency response, there were 2,197 wildfire firefighters, 700 structural and wildland-urban interface firefighters, 77 helicopters, 18 air tankers, and 269 pieces of heavy equipment battling the blaze. The Government of Alberta received support from across Canada, including 37 communities in Alberta, and from United States, Mexico, and South Africa. Approximately 1,222 additional firefighters and support staff assisted in the wildfire operations.

The fire affected tens of thousands of individuals, and was one of the most significant disasters in Alberta’s history. Our province – from first responders to everyday Albertans – immediately pulled together. Our collective efforts helped ensure the safe evacuation of more than 88,000 people, and ensured temporary accommodations and other necessities were available for displaced families. Thirteen communities hosted reception centres to assist Albertans impacted by the Regional Municipality of Wood Buffalo wildfires. The Government of Alberta further provided emergency funds to more than 50,000 evacuated households, totalling over \$99 million. The wildfire response and the extraordinary efforts to address the needs of those forced from their homes demonstrated courage, strength, and the true spirit of Albertans and Canadians.

Fighting the wildfire, supporting the evacuation, and co-ordinating the re-entry was just the beginning. The Government of Alberta recognized that extraordinary provincial supports would be needed to help returning residents and their leadership with recovery and returning to a new normal for the region. Premier Rachel Notley created a task force to co-ordinate provincial recovery activities and to make quick decisions in support of the Wood Buffalo region’s recovery.

Through the task force, the government focused on providing assistance to the Wood Buffalo region to support five pillars of recovery: people, economy, reconstruction, environment, and mitigation. The province also built relationships with and acted as a connector between the Regional Municipality of Wood Buffalo, Indigenous communities, the Canadian Red Cross, industry, and the federal government. These partners collaborated and supported one another to help make the region home again. The Government of Alberta is committed to ensuring the right resources are available to support the overall physical, mental, and social well-being of Albertans. This includes mental health supports to all those affected by the wildfire.

For its work in co-ordinating and supporting the response to the 2016 Wood Buffalo wildfire, the Alberta Emergency Management Agency and the Government of Alberta were recognized for their leadership by being awarded the Institute of Public Administration Canada's prestigious national award for Public Sector Leadership, as well as recognition from a wide variety of industry and private sector associations.

More information on the Fort McMurray and the Wood Buffalo Region wildfire and recovery, is available at www.alberta.ca/documents/Wildfire-Home-Again-Report.pdf and www.alberta.ca/wildfire-recovery.aspx

Key Strategy 3.2 Enhance community preparedness in Alberta by developing and promoting online tools to assist in completion of community-level risk assessments, emergency plans, and the online delivery of emergency management and emergency social services training.

The lessons learned from the 2016 Wood Buffalo wildfire, and previous extraordinary disasters in Alberta, have highlighted the importance of preparedness, prevention, and mitigation. In 2016-17, the ministry continued to take a leading role in providing tools, resources, and training to its partners to enhance and transform public safety and emergency management initiatives. These initiatives include promoting the development of emergency management plans, the ongoing implementation of the Community Emergency Management Program, and the availability of online emergency management and emergency social services training.

Community Emergency Management Plans

Emergency management planning is a legislated practice for local authorities, and is intended to ensure local authorities develop and implement effective strategies for responding to disasters

and emergencies. The ministry's field officers routinely visit communities and provide a complement of face-to-face services, including reviews of emergency management plans. This demonstrates the ministry's commitment to strengthen public safety by providing emergency management services to all communities in Alberta.

Community visits are an important service provided by the field officers, as direct interactions and relationship-building are integral to how the ministry supports communities during emergencies and disasters. In 2016-17, the ministry's field officers reviewed community emergency management plans for 342 communities, including Metis Settlements, which is a significant increase from the 66 plan reviews in the previous fiscal year. The expansion in the number of field staff dedicated to assist communities with emergency management activities made this trend possible.

The ministry also provides emergency management services and advice to First Nation communities as part of an agreement with Indigenous and Northern Affairs Canada. Alberta was the first province to enter into an agreement with the federal government that allows for this type of direct service delivery. The success of this model has been widely recognized, and is gradually being adopted by other jurisdictions. In 2016-17, field officers dedicated to First Nations visited and reviewed 26 community emergency management plans for First Nations communities.

2016-17 Emergency Preparedness Activities

BY THE NUMBERS

51

Number of times a community activated their emergency co-ordination centre or requested Alberta Emergency Management Agency (AEMA) assistance

Number of communities that participated in emergency management related workshops offered by field officers

253

Number of communities that hosted an emergency management related training course offered by field officers

135

Number of times communities cumulatively participated in emergency management exercises

365

Number of times field officers visited or attended meetings with municipal representatives to review emergency management plans, perform community assessments, or discuss AEMA initiatives

Community Emergency Management Program

Preparation for disasters and emergencies is most effective at the community level. The ministry continued to empower communities by providing resources to local authorities to develop robust emergency management plans. To support this objective, the ministry continued to implement and promote the Community Emergency Management Program. Municipal

Affairs developed this online program to support all communities, including First Nations communities, with developing municipal emergency management plans.

The resources available through the online program were developed to complement the existing services provided by field officers, while promoting a standardized provincial approach for emergency management. The tool enables communities to develop emergency management plans that meet their needs and follow standardized emergency management practices.

The Community Emergency Management Program provides a holistic approach to preparing for disasters and emergencies, including a risk-assessment tool that allows communities to conduct self-assessments for specific risks and hazards. These assessments are specific to each community and rely on the Hazard Identification Risk Assessment methodology used for a provincial-level hazard and risk assessment. The compatibility between municipal and provincial-level risk assessments creates opportunities for increased collaboration between the communities and the Government of Alberta to inform future decision-making around disaster mitigation activities.

Adoption of the Community Emergency Management Program remains strong, with 222 users representing 212 communities and 10 regions in Alberta. In 2016-17, the community adoption rate for the program stood at approximately 55 per cent, a five per cent increase over the previous fiscal year. This increase is considered a success for three reasons:

1. the Community Emergency Management Program is a relatively new initiative within the ministry;
2. increased regional collaboration in emergency management is not necessarily reflected in the participation rate; and
3. community participation is entirely voluntary. Many communities prefer using the planning tools with which they are more experienced and comfortable, possibly making them reluctant to transition to using the Community Emergency Management Program.

The uptake of the Community Emergency Management Program is high amongst the First Nations communities with 44 out of 46 First Nations registered to use the program – a participation rate of 96 per cent. In 2016-17, First Nations participation increased 23 per cent over the previous fiscal year. This positive adoption is attributed to the program's adaptability to the needs of the First Nations communities. The program was also enhanced in 2016-17 to better support quarterly and annual reporting to Indigenous and Northern Affairs Canada.

Emergency Management Preparedness Program

The Emergency Management Preparedness Program is a grant program available to all municipalities and First Nation communities to support emergency preparedness training. This grant program is an effective mechanism for enhancing the emergency management capacity of communities by helping to cover training costs, and, therefore, enhancing the skills and competencies of emergency managers. In 2016-17, the Alberta Emergency Management Agency provided \$150,000 in grant funding to 34 communities.

Emergency Management Training

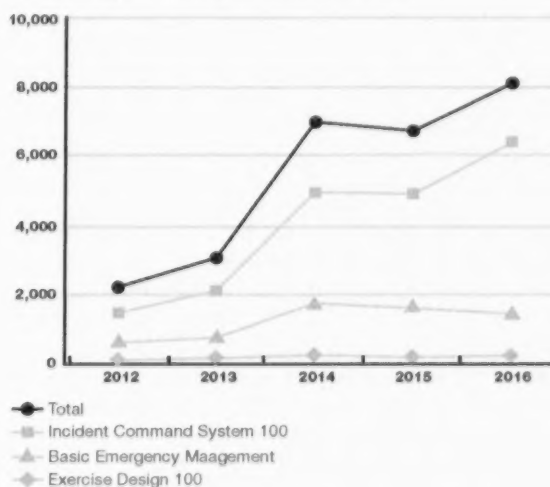
In 2016-17, Municipal Affairs partnered with Alberta Health Services to develop new emergency management training courses, including the personal disaster preparedness and basic business continuity planning courses. These courses are currently under development and will be added to the portfolio of online training in the next fiscal year.

Municipal Affairs is collaborating with the Ministry of Community and Social Services and the Emergency Social Service Network of Alberta to develop a new emergency social services course to address the training needs of communities and to enhance the support provided to Albertans directly impacted by emergency and disaster events. It features an updated curriculum that incorporates

lessons learned from recent disasters. The new emergency social services course is currently under development, and it will be offered both in-class and online in the next fiscal year.

Incident Command System is the emergency management system mandated within the Government of Alberta, and is strongly encouraged for all emergency responders in Alberta. The ministry is committed to providing Incident Command System training to emergency management partners internal and external to the Government of Alberta. The ministry significantly increased its capacity to offer Incident Command System training to meet increasing demand. In 2016-17, the ministry launched an online version of the Incident Command System 200 course, which was developed in partnership with Alberta Health Services. The course was made available during the annual Alberta Emergency Management Agency Stakeholder Summit in November 2016, and 101 students successfully completed the course in 2016-17. The current training portfolio has received positive feedback. To date, 203 instructors have been certified in Alberta, which represents 46 per cent of total Incident Command System Canada-certified instructors in Canada.

Emergency Management Online Training Activity 2012-2016



The growing popularity of emergency management training has caused the ministry to focus on developing online training courses, expand its training portfolio, formalize the course development process, and use field officers to deliver courses in communities. This investment has paid off, as the demand for the ministry's emergency management training is increasing. In 2016-17, the ministry provided training to almost 11,000 people, most of whom completed the training online. The value of the investment in online training is underscored by the 17 per cent increase from the previous year.

2016 Stakeholder Summit

Stakeholder summits are opportunities for delegates from across the province to meet annually to share and discuss ideas on disaster resiliency. The 2016 Stakeholder Summit took place in Edmonton, and provided a venue for 425 delegates to share ideas and collaborate. The primary theme of the 2016 summit was "disaster resiliency through lessons learned from past disasters and emergencies." The keynote speakers of the 2016 Stakeholder Summit included, Bob Couture and Darby Allen of the Regional Municipality of Wood Buffalo, who shared their experiences and lessons learned from the 2016 Wood Buffalo wildfire. This event allowed the ministry to provide an update to the delegates on emergency management initiatives that are being pursued.

The ministry also hosted seven regional workshops across Alberta for nearly 330 participants, which provided specific information to emergency management partners and stakeholders on the Disaster Response Team of Canada Taskforce 2, Alberta Health Services' support for Emergency Operations Centres, the Emergency Social Services Network of Alberta, and animal welfare initiatives of Alberta Agriculture and Forestry. These workshops also provide valuable opportunities to emergency management partners for networking and information sharing.

Performance Measure

3.a Percentage of communities (municipalities, First Nations, and Metis Settlements) that have been visited by an Alberta Emergency Management Agency field officer and had their Community Emergency Management Plan reviewed

Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17
n/a ¹	n/a ¹	86.4%	90%

Note:

¹ Actual data is not available. Data collection for this measure began April 1, 2016.

Performance measure variance

The following section explains the results of **performance measure 3.a**, "Percentage of communities (municipalities, First Nations, and Metis Settlements) that have been visited by an Alberta Emergency Management Agency field officer and had their Community Emergency Management Plan reviewed."

The target of 90 per cent was not met; with an actual result of 86.4 per cent.

The actual results missed the target by 3.6 per cent. The target of 90 per cent was established based on preliminary information regarding field officer activities and an understanding that meeting with communities and reviewing emergency plans requires collaboration and co-operation between communities and field officers. The first actual result for this measure is close to the target, which implies the target is set at an appropriate level. This is further confirmed when considering the significant level of field officer activity that was required to support the emergency response to the 2016 Wood Buffalo wildfire.

Emergency management planning is a legislated practice for local authorities, which is intended to ensure that municipalities and communities are prepared in the event of a disaster or emergency. Field officers routinely visit municipalities and communities to provide a variety of services, including reviews of emergency management plans. Community visits are an important service provided by field officers, as direct, face-to-face

interactions and relationship-building are integral to how the ministry supports communities with emergency management activities.

A number of factors played a role in results of this performance measure:

The ministry co-ordinated the cross-government emergency response to the 2016 Wood Buffalo wildfire. Field officers act as liaisons between the ministry and local authorities and during emergencies, they are unable to perform their regular duties. The emergency response co-ordination around the Wood Buffalo wildfire lasted 60 days and during this time, visits to municipalities and communities, that would have included reviewing community emergency management plans, were suspended.

The established target of 90 per cent is considered a stretch target. The performance measure was first introduced in the 2016-19 Municipal Affairs Business Plan so historic data and results from previous years were not available. Therefore, trends or variances could not be established. Also, disruptions to the day-to-day activities of ministry field officers during a disaster or emergency is unpredictable.

Another factor is the steady increase in the number of services field officers provide to communities. In 2016-17, field officers provided emergency management training to well over 2,000 people. Training is time consuming, and, while providing training to municipalities and communities is an important component of the preparedness phase of emergency management, it does not contribute directly towards this performance.

The ministry also provides support in developing regional collaboration agreements. Several communities have come to written agreements regarding their roles and responsibilities, and the delegations of these roles and responsibilities, under the *Emergency Management Act*. These activities are also not reflected in this performance measure.

Finally, the ministry has an agreement with Indigenous and Northern Affairs Canada that places a priority on training and community visits to First Nations over the review of First Nations' plans. This partially accounts for why First Nations had a lower percentage of plans reviewed, which contributed to the ministry missing the target for this performance measure.

Key Strategy 3.3 Work with local authorities and partners to design and deliver comprehensive emergency management exercises to strengthen the Government of Alberta's disaster preparedness and ability to co-ordinate emergency response.

Emergency Management Plans

Planning for emergencies and disasters ensures appropriate and effective response strategies are in place for all emergency management partners and stakeholders. Providing expertise in consequence management and business continuity planning is another example of the ministry's efforts to promote disaster resiliency.

Consequence management plans are formal plans that define the roles and responsibilities of emergency management partners for specific hazards and emergencies. In 2016-17, the

ministry reviewed and updated the following Hazard Specific Plans:

1. Alberta Emergency Response Plan for a Catastrophic Earthquake in British Columbia;
2. Blockade Response Plan; and
3. Emergency Response Protocol for Turtle Mountain.

The ministry additionally provided expertise and support to other Government of Alberta ministries in developing and reviewing business continuity plans, as required under the Government Emergency Management Regulation.

Business continuity plans assist organizations to continue operations and deliver essential services during emergencies and disasters. In 2016-17, the Alberta Emergency Management Agency reviewed five business continuity plans for Government of Alberta departments and the Alberta Energy Regulator. The ministry also reviewed and updated its business continuity plan in 2016-17 to ensure the impact of disasters and emergencies on essential service delivery is minimized.

Emergency Management Exercise 2017 (EMX 17)

Exercising and testing emergency management plans helps to ensure the province is prepared in the event of an emergency or disaster. The ministry conducts an exercise annually based on a mock emergency prior to the beginning of the hazard season to test provincial readiness for emergency and disaster situations. EMX 17 was conducted, on behalf of the province, for three days in February 2017. The exercise involved emergency management partners and stakeholders from all levels of government and participants from the broader emergency management sector. The exercise simulated Alberta's supporting response to a catastrophic earthquake in a region stretching from Vancouver Island to northern California, resulting in widespread damage to the province of British Columbia.

EMX 17 marked the first time where emergency management officials from another province observed an emergency management exercise led by Municipal Affairs. The exercise had three objectives:

1. build collaborative networks;
2. establish an environment that is conducive to learning; and
3. refine the emergency response procedures and processes documented in the Alberta Emergency Response Plan for a Catastrophic Earthquake in British Columbia.

EMX 17 practiced the cross-government emergency management procedures to support the establishment of provincial-federal co-operation and co-ordination that the scenario would require. The exercise was determined to be a success because all the objectives were considered to have been met. EMX 17 also allowed the ministry to test new roles in the structure of the command system used in the Provincial Operations Centre. A formal post-incident review of the exercise is underway, and any findings from the review will be considered for implementation to ensure continuous improvement of Alberta's public safety system.

Regional Collaboration

In 2016-17, six municipalities in the Sturgeon County region came together to request a ministerial order to authorize the establishment of a joint emergency advisory committee. The collaborating partners in this initiative were Sturgeon County and the towns of Redwater, Bon Accord, Gibbons, Legal, and Morinville. Authorization of the joint emergency advisory committee recognized the collaborative efforts of the partner communities, allowing them to delegate some of the duties and powers provided in the *Emergency Management Act* to the joint committee. This collaboration encourages efficient use of emergency management resources across the region and allows the region to leverage their collective experience and capacity, resulting in increased public safety. The Sturgeon Regional Emergency Management Committee joins other regional partnerships such as the Central Peace Regional Emergency Management Committee, the Grande Prairie Regional Emergency Partnership, and multiple other summer villages and counties that have pursued formalized collaboration through ministerial orders. In addition to supporting local authorities, the Alberta Emergency Management Agency works with broader regional organizations such as Mutual Aid Alberta, Transportation Community Awareness and Emergency Response, and the Northeast Region Community Awareness Emergency Responses to enhance relationships with industry, facilitate communication amongst stakeholders, and build response networks.

Key Strategy 3.4 Work with local authorities and technical system partners to enhance the delivery of public alerting through Alberta Emergency Alert

Alberta Emergency Alert

The ability to alert and communicate clearly with the public, during disasters and emergencies, is a strong component of emergency management best practice. To strengthen Alberta's public safety system, the ministry continued to promote the use of Alberta Emergency Alert, an emergency alerting system that allows local authorities and the Government of Alberta to deliver public safety alerts across multiple mediums to the public. Alerts are distributed through radio, television, the smart phone application, internet, RSS feeds, social media, and road signage. The ministry remains committed to increasing the reach and effectiveness of Alberta Emergency Alert. In 2016-17, 65 alerts were issued, of which nine were related to the 2016 Wood Buffalo wildfire and 14 were tornado-related. Other types of alerts include notifications regarding overland flooding, impacted electricity supply, and 911 service disruptions. The nature of these alerts signify the importance of emergency public

alerting, as they allow local and provincial authorities to provide potentially life-saving notification directly to Albertans.

Highlights of the ministry's efforts to increase the reach of the Alberta Emergency Alert in 2016-17, include:

- participating in Canadian Radio-television Telecommunications Commission public consultations to emphasize the importance of distributing alerts via smart phone technologies, as this technology is widely used by Albertans;
- participating in numerous events, such as trade shows and public information presentations, and working collaboratively with local authorities to increase awareness of public alerting; and
- leveraging technology and social media platforms to increase the audience for emergency alerting. In 2016-17, Alberta Emergency Alert's Facebook and Twitter followers increased by 26 per cent to 203,400.

Registered Alberta Emergency Alert Mobile App Users by Calendar Year



Alberta Emergency Alert Website Hits by Calendar Year



OUTCOME THREE

The results of the above strategies are reflected in the growing number of people who receive alerts through Alberta Emergency Alert. In 2016-17, there were approximately 129,145 people using the mobile application, which is a 103 per cent increase over the previous fiscal year. Web traffic to the Alberta Emergency Alert website increased by 117 per cent over the previous fiscal year with approximately 160 million visits. The significant increase in the web traffic is attributed, in part, to the media and public attention from the 2016 Wood Buffalo wildfire. At the end of 2016, 147 radio and television broadcasters across Alberta were also participating in the Alberta Emergency Alert program. This is a clear indication of the usefulness and importance

of Alberta Emergency Alert during disasters and emergencies.

As a benchmark for success, the ministry's Alberta Emergency Alert program has been used as a case study by other provinces in developing their own proprietary public alerting tools. For instance, the province of Saskatchewan's public alerting website and the mobile application, SaskAlert, is modelled on Alberta Emergency Alert. The ministry also signed Memoranda of Understanding with Saskatchewan and British Columbia for cross-border public safety alerting to increase inter-provincial co-operation during disasters and emergencies.

Key Strategy 3.5 Leverage information management technology to improve the Provincial Operations Centre's ability to co-ordinate a government-wide response.

Provincial Operations Centre

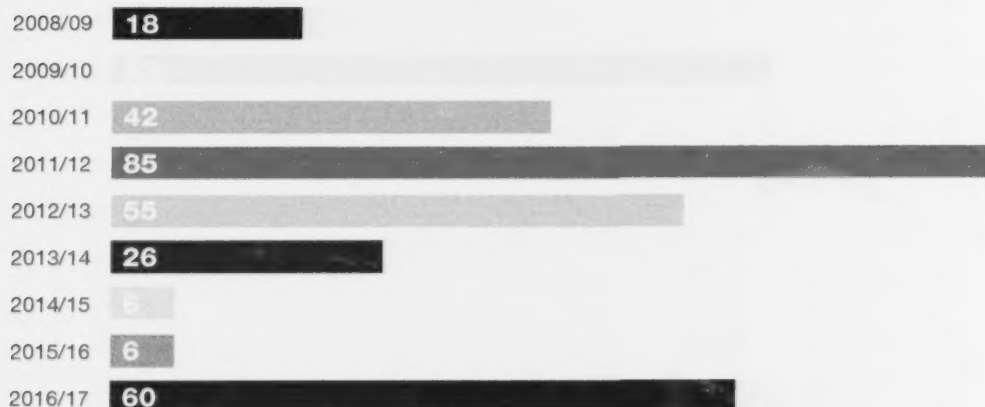
The ministry's Alberta Emergency Management Agency is responsible for co-ordinating a cross-government response to disasters and emergencies. The Provincial Operations Centre in Edmonton operates around-the-clock and serves as the hub for co-ordinating the activities of all emergency response partners. A new staffing and reporting structure was implemented in the Provincial Operations Centre, creating more capacity and depth in that area and ultimately provides greater ability for more preparedness-focused activities and initiatives.

The Provincial Operations Centre is always activated at Level 1 and staffed around-the-clock every day of the year. During disasters or emergencies where cross-governmental co-ordination and support is required, the operations are elevated and additional staff and emergency management partners report to the Provincial Operations Centre to support response activities. The level of cross-government co-ordination and collaboration depends on the severity of the events and determines the operational level.

In 2016-17, the Provincial Operations Centre was elevated twice in response to emergencies:

1. In April 2016, the Provincial Operations Centre was elevated to Level 2 for three days in response to wildfires in central Alberta, within Parkland County and Paul First Nation. The ministry's Major Event Support Apparatus was deployed to Parkland County for use as a mobile incident command post.
2. In May 2016, the wildfire in northern Alberta resulted in the evacuation of Fort McMurray and surrounding region and a provincially declared State of Emergency. **The Provincial Operations Centre was activated to Level 4 – the highest possible level – for 45 days** and Level 3 for an additional 15 days. The Major Event Support Apparatus and 12 key staff members were deployed to provide additional emergency response capabilities to the Regional Municipality of Wood Buffalo. During this incident, there were numerous other wildfires for which local authorities declared states of local emergency, including Athabasca Chipewyan First Nation, the Municipal District of Greenview,

Number of Days the Provincial Operations Centre was Elevated to Level 3 or Level 4



Mackenzie County, and Lac Ste. Anne County. All of these wildfires were tracked and monitored by the Provincial Operations Centre, while co-ordinating the cross-government emergency response efforts for the Wood Buffalo wildfire.

The ministry's ability to co-ordinate a cross-government response to disasters and emergencies has been augmented by the Alberta Disaster Local Area Network, which is an incident management application that was launched in the Provincial Operations Centre in 2015. The features and new functionality of this application significantly enhanced the ability to create shared awareness, ability to track tasks, and financial accountability of all emergency management partners.

While the Wood Buffalo wildfire highlighted the usefulness of the Alberta Disaster Local Area Network, the ministry also observed gaps in internal processes and procedures for using this application. To implement the lessons learned, the ministry led two cross-ministry working groups to identify and implement work-flow best practices to further improve situational awareness within the Provincial Operations Centre by standardizing processes and procedures for data entry, information management, and work-flow tracking.

Emergency events in 2016 required the ministry to analyse large amounts of information and data. During emergencies, the ministry used Geographic Information System specialists to analyse event-related information to gain and portray a clear representation of the events taking place at the scene of an incident. These experts provided cartographic and geospatial analytics expertise, especially throughout the Wood Buffalo wildfire. These efforts increased the overall effectiveness of the Provincial Operations Centre by ensuring all emergency management partners had a common understanding of any given event or situation. Services provided by the Geographic Information System specialists also helped to provide information updates to the public.

Post-incident Assessments

Comprehensive post-incident assessments are a standard practice, as they enable the ministry to continually improve internal policies and processes by identifying and addressing gaps. The ministry undertook an internal post-incident assessment shortly after the Wood Buffalo wildfire, which resulted in the development of new roles within the Provincial Operations Centre's operational structure.

A comprehensive post-incident assessment of the cross-government response to the Wood Buffalo wildfire is under-way by an independent contracted service provider. The post-incident assessment will evaluate existing policies and

practices against emergency management best practices, which will help the ministry enhance the Government of Alberta's emergency response capabilities and readiness for future disasters and emergencies.

Key Strategy 3.6 Lead the 911 grant program and develop provincial 911 call answering standards to enhance the community based 911 services made available to Albertans.

The ministry's 911 program plays a vital role in the provincial strategy for supporting consistent and reliable emergency services to Albertans. The ministry continues to strengthen Alberta's public safety system by enhancing and improving its 911 program. In 2016-17, the ministry achieved the following:

Public Safety Answering Points

In 2016-17, Municipal Affairs provided \$15.35 million in grant funding to 21 public safety answering points, more commonly known as the 911 call centres. The ministry's grant funding for the 911 call centres remained stable during the 2016-17 fiscal year. The 911 grant program is funded through a 44 cent 911 levy applied to wireless phone plans in Alberta. This grant program supports the enhancement of 911 service delivery by funding staffing, training, hardware, and software costs. The grant program also supports hardware upgrade projects to ensure compliance with existing and next generation 911 standards.

In 2016, the 911 call centres provided encouraging feedback to the ministry regarding the level of funding provided for 911 service delivery. The 911 grant program is an additional source of funding made available to the 911 call centres, which allows them to make improvements that are over and above what would be possible in their existing budgets.

Alberta 911 Standards

In 2016-17, the ministry, in close collaboration with the 911 call centres, continued the development of province-wide 911 standards. This partnership will result in province-wide standards, processes, and procedures that will help ensure consistent and reliable delivery of emergency services across Alberta. Developing provincial 911 standards will provide an opportunity to navigate complex challenges, including how 911 calls are managed and business continuity standards. The ministry received positive feedback from the 911 public safety answering points throughout the consultation process.

The Calgary 911 Public Safety Answering Point formally acknowledged the ministry's leadership in developing the Alberta 911 Standards during a Canadian Radio-television and Telecommunications Commission hearing on the deployment of Next Generation 911 services. Next Generation 911 will allow digital information (e.g., voice, photos, videos, text messages) to flow seamlessly from the public, through the 911 network to 911 call centres, and then on to emergency responders. This will require that 911 service infrastructure across Canada be updated to improve public emergency communications services, including better accuracy for the location of calls.

OUTCOME THREE

In 2016-17, the ministry's 911 program continued to collaborate with provincial and territorial partners to enhance 911 in Alberta and across Canada. Highlights of this collaboration include:

- addressing gaps in 911 coverage within Alberta. Approximately 98 per cent of Albertans have access to 911 services, and the ministry's 911 program is working with communities to find opportunities to extend this essential services to underserved areas;
- participating in a CRTC hearing on ways to evolve existing 911 networks and

infrastructure into next generation services, such as text messaging and video. The 911 program presented Alberta's model of collecting and remitting grants funds, through a levy, to create a stable source of revenue for supporting 911 services; and

- participating in the Next Generation 911 Coalition of the Willing, which is a volunteer working group that advances the 911 public safety system within Canada by sharing best practices.

Outcome Four: Albertans and municipalities receive fair, timely and well-reasoned decisions on matters before the Municipal Government Board and the New Home Buyer Protection Board

Key Strategy 4.1 Deliver an effective process for subdivision appeals, intermunicipal disputes, annexation applications, linear and equalized assessment complaints, and appeals from decisions of the registrar made under the *New Home Buyer Protection Act*.

The Municipal Government Board (MGB) is an independent and impartial quasi-judicial board established under the *Municipal Government Act* to make decisions about assessment, land planning, and other matters in Alberta.

The MGB strives to provide Albertans with an efficient, transparent, and impartial hearing experience, resulting in fair and timely written decisions. The MGB takes steps to maintain a transparent hearing process by holding public hearings, having well-reasoned decisions, and publicizing decisions on its website. Impartiality is achieved by ensuring board members assigned to hearings have no professional or personal ties to the matter before them; furthermore, parties are provided the opportunity to object to any member of the panel at the beginning of each hearing. It is important that hearings are accessible to the parties involved in the dispute. To improve accessibility for parties, the MGB conducts its hearings in locations across the province. In 2016-17, 89 per cent of parties surveyed were either satisfied or neutral with the effectiveness of the MGB's adjudicative process.

The MGB is required to meet tight timelines for adjudicating matters and issuing written decisions. An example of this is the requirement that decisions for intermunicipal disputes and subdivision appeals must be issued within 30 days and 15 days, respectively, from the date the hearing is closed. In order to meet these timelines,

board members must be skilled adjudicators and have extensive knowledge of the subject matter. To facilitate this, the MGB provides extensive training and support to its members.

The MGB has 53 part-time members from various professional backgrounds including appraisers, lawyers, and planners. Board members are recruited on an annual basis through an open, merit-based recruitment process and are appointed by Order in Council. Board members are paid pursuant to Schedule 1, Part A of the Committee Remuneration Order. They receive a daily honorarium of \$383 as a presiding officer or \$290 as a side panelist, plus travel expenses paid at government standards and rates.

In 2016-17, the MGB conducted hearings for 48 subdivision appeals, three annexation applications, and four intermunicipal disputes. There were an additional five annexation applications processed that did not require a hearing.

The MGB also provides administrative support to the New Home Buyer Protection Board. This board has six part-time board members and is mandated to hear and decide appeals brought before it under the *New Home Buyer Protection Act*.

A significant challenge for the MGB is the ongoing recruitment and development of board members. The complexity of the matters heard before the board coupled with a trend towards shorter appointment terms has heightened the need

for timely and effective recruitment and training processes. The need for ongoing recruitment and training of board members places a considerable strain on board resources as these activities are co-ordinated and facilitated in-house by board employees.

A key lesson from the past year is the need for timely recruitment processes for new board members. At times, the MGB has struggled to have sufficient board members available to meet the volume of appeals.

Following a government-wide review of agencies, boards, and commissions, it was determined that the MGB shares similar expertise, mandates, and operations with the New Home Buyer Protection Board, Surface Rights Board, and Land Compensation Board. As a result, a phased process of amalgamating these boards was initiated.

Between July and December 2016, the administrative operations of four boards were examined and recommendations were made to reduce duplication, improve efficiency, and save costs. A number of actions have either been implemented or are being planned. They include creating a single chair position to oversee all four boards; amalgamating the organizational structure; training board members under a centralized unit and according to common remuneration policies; aligning administrative functions such as filing, scheduling, and expense management; and co-locating staff from all boards to a single office located at Summerside Business Centre in South Edmonton.

As the boards proceed with amalgamating their administrative operations, a review will be conducted to assess how well the administrative amalgamation is working.

Performance Measure

4.a Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear, and equalized assessment appeals

Actual 2012-13	Actual 2013-14	Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17
84%	91%	88%	84%	89%	88%

The measurement of satisfaction with the MGB is best done by those parties that appeared before the board at a hearing, as the hearing process followed and the actual decision the board made impacts both parties. The perception of bias and fairness is subjective. To achieve a high level of performance, the board must satisfy the stakeholders that they are being treated fairly, irrespective of the final decision made.

In 2016-17, the survey result of 89 per cent is one percentage point above the target of 88 per cent. It is five percentage points higher than the previous year's result of 84 per cent, and three percentage points higher than the historical ten-year average of 86 per cent.

The survey result of 89 per cent indicates that stakeholders are generally satisfied or neutral with the MGB's appeal process. The survey focused on two general areas: 1) the hearing process, and 2) timeliness of the written decision.

The MGB scored strongest on the hearing process component of the survey. The vast majority of the parties were satisfied or neutral that the board acted in a courteous manner (100 per cent); they were provided an opportunity to present their case (98 per cent); the hearing process was easy to understand (96 per cent); and the hearing process was fair, unbiased, and impartial (93 per cent).

The MGB scored weakest on the written decision component of the survey. Parties were only marginally satisfied that the written decision was issued in a timely manner (56 per cent). The actual result of 56 per cent is two percentage points higher than the 2015-16 result of 54 per cent.

Significant challenges to issuing timely decisions are the volume of hearings and complexity of the matters in dispute. The MGB continues to work towards improving the timeliness of its written decisions by improving its decision-making processes and introducing target timelines for each appeal type.

Key Strategy 4.2 Deliver an effective and timely process for Disaster Recovery Program appeals before the Municipal Government Board.

The MGB places high importance in providing Disaster Recovery Program applicants with a fair, efficient and timely adjudicative process. In 2016-17, the board conducted hearings for three Disaster Recovery Program appeals. These appeals involved complex matters with the value of items disputed often exceeding one million dollars. Due to the complexity of the issues and large amounts of money being disputed, processing these types of appeals takes a significant amount of case management

and board member expertise. To manage these cases, the MGB case manager works with the parties to ensure required information is exchanged on a timely basis, all information is shared between parties, and the issues in disputes are defined and understood by all parties prior to the hearing. The MGB also ensures members have the required skillset to adjudicate the matter including having a clear understanding of the applicable legislation and the intent of the Disaster Recovery Program.

Key Strategy 4.3 Provide board members and support to municipal Composite Assessment Review Boards.

The MGB supports municipalities by providing a provincial representative to act as a presiding officer on all municipal Composite Assessment Review Board hearings held across the province. Board members have extensive experience adjudicating assessment complaints, and can be relied upon for issuing fair and consistent decisions.

In 2016-17, the MGB provided presiding officers to various municipalities for 1,270 hearing days involving 2,600 decisions at locations across the province, including Edmonton, Calgary, and Red Deer. In 2015-16, there were 1,949 decisions with 810 hearing days. In 2014-15, there were 1,634 decisions made with 810 hearing days, and in 2013-14, there were 1,983 decisions and 953 hearing days. The MGB charges municipalities after a ninth hearing is held in that municipality. In 2016-17, this resulted in partial cost recoveries of approximately \$1,256,400.

Performance Indicator

4.a Percentage satisfied or neutral regarding Municipal Government Board support to Municipal Composite Assessment Review Boards

2011 ¹	2012 ¹	2013 ¹	2014 ¹	2015 ¹	2016 ¹
100%	97%	99%	100%	100%	100%

Note:

¹ The year indicates when the survey occurred. Previously, the year indicated the annual report year in which the results were first reported.

Key Strategy 4.4 Provide training and certification for Assessment Review Board members and clerks.

The MGB continues to provide training and certification for assessment review board members and clerks. This training gives municipalities the knowledge and tools to process assessment complaints fairly and in accordance with all applicable legislation. The course curriculum covers principles of property assessment and administrative law. The board

facilitates this training together with members who specialize in assessment and administrative law matters.

In 2016-17, 270 participants attended 21 training sessions: nine courses for clerks, four courses for new board members, and eight refresher courses for current board members.

Strategic Risks to Achieving Ministry Outcomes

As stated in the Municipal Affairs 2016-19 Business Plan:

Municipal Affairs monitors the strategic environment, including some of the trends and issues identified above, to assess risks to achieving its business plan outcomes. The ministry is mindful of a number of potential strategic risks.

For example, amendments to the *Municipal Government Act* will likely require new skills and resources to ensure a successful implementation. Another example is the unpredictable nature of emergencies and disasters and the significant resources that must be rapidly added to respond to these situations. These risks are being managed to an acceptable level.

Update to the strategic risks:

Municipal and ministry capacity to respond to change (linked to Outcome 1) – The implementation of a renewed *Municipal Government Act* is intended to evolve the local government system in Alberta, requiring adaptation and change management of both municipalities and the Government of Alberta. The transition to this new system by the fall of 2017 will require new skills, resources, and/or knowledge on the part of municipalities and the ministry to ensure effective implementation and meet increased demands for support.

Emergency and disaster recovery (linked to Outcome 3) – Recent disasters, including the 2016 Fort McMurray wildfire, have demonstrated the challenges that government faces in order to scale up and down quickly to respond to, and recover from, emergencies. The capacity of the Government of Alberta, communities and Albertans to recover from disasters could deteriorate if several large disasters were to take place over the same time period.

These risks continue to be managed to an acceptable level.

Results Analysis

PERFORMANCE MEASURES DATA SOURCES AND METHODOLOGY

Outcome Two:

A stronger system of standards ensuring quality infrastructure so that Albertans are safe in their homes and communities.

Performance Measure

2.a Number of safety codes delayed more than one year before coming into full force.

Data Source:

Data for this measure comes from a combination of the following:

- the date of publication of the code, which is provided by the code's publishing body and
- the date when the code officially comes into effect in Alberta, which, historically, is found in regulation.

Methodology:

The Safety Services branch of the Public Safety Division tracks the publication and in-force dates of codes, and is responsible for the calculations of how long it takes to bring a code from publication to in-force status.

Not all codes list a precise date of publication. In cases where a code does not have a clearly defined publication date, the Administrator of that discipline will use the criteria listed in the amended Administrative Items Regulation to establish the publication date of the code for the purposes of this performance measure.

The number of codes declared in force at the end of a fiscal year (March 31) is counted and compared to the dates these codes were published to determine if they were adopted in accordance with the intent of Section 65(4) of the *Safety Codes Act*.

Outcome Three:

Albertans have an enhanced ability to prepare for, respond to, and recover from emergencies and disasters.

Performance Measure

3.a Percentage of communities (municipalities, First Nations, and Metis Settlements) that have been visited by an Alberta Emergency Management Agency field officer and had their Community Emergency Management Plan reviewed.

Data Source:

A tool, the Community Emergency Management Program (CEMP), is used to collect all the data regarding field visits to communities conducted by ministry staff and community emergency management plan reviews.

Methodology:

Field officers conduct formal reviews of community emergency management plans, which include a field visit and routine visits to the communities for stakeholder engagement and to ensure that local authorities have the tools available to develop robust emergency management programs.

Field officers conduct reviews of community emergency management plans using one of the following two methods:

- Communities using CEMP: field officers review and provide feedback electronically to the communities. Once satisfied that a community is ready for a final review, field officers will schedule a visit to review the plan in-person with the community's director of emergency management or another appropriate

representative. Outstanding issues or concerns following the in-person review are tracked by the field officer for corrective action by the community.

- Communities not participating in CEMP: field officers conduct an in-person review with a representative from the local authority, preferably the director of emergency management. The information is entered into CEMP by ministry staff.

The following equation is used to process the data collected in CEMP:

$$\% = \frac{\text{Number of communities visited by AEMA field officers and had their Community Emergency Management Plan reviewed}}{\text{Total number of communities in Alberta}} \times 100$$

This performance measure is a simple arithmetic ratio of communities that have been visited by a field officer and had the community emergency management plan reviewed, to the total number of communities in Alberta. The ratio is expressed as a percentage.

For communities that have adopted a regional approach for developing emergency management plans, field officers review the regional community emergency management plan and meet with the appropriate municipal representative for the region. A review of the community emergency management plan of a region, and the subsequent field visit, counts as a review and a visit for all constituent communities.

Outcome Four:

Albertans and municipalities receive fair, timely and well-reasoned decisions on matters before the Municipal Government Board and the New Home Buyer Protection Board.

Performance Measure

4.a Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear, and equalized assessment appeals.

Data Source:

A client satisfaction survey of hearing participants is conducted by the Municipal Government Board in May each year. Hearing participant information is obtained from the Municipal Government Board's Case Inc. database and from sign-in sheets collected at the hearings. The board uses Opinio Survey software to collect data anonymously and survey reports are provided within the software.

Methodology:

The scale used is a five-point, anchored satisfaction scale that asks respondents to respond with the following: strongly agree; somewhat agree; neither agree nor disagree; somewhat disagree; or strongly disagree.

Information is gathered from the MGB databases for the purpose of identifying all participants who attended MGB hearings. Lists of attendees at hearings held from April 1, 2016 to March 31, 2017 are compiled along with their email addresses. Parties that do not provide an email address are sent a letter, informing them that if they wish to participate, an email address is required in order to preserve anonymity. An email is then sent to all parties, and they are asked to complete an online survey.

In spring 2017, an e-mail is sent to all parties asking them to complete the on-line survey. One reminder is sent two weeks after the first e-mail to all parties that did not respond.

From 244 survey requests sent, 74 responded, for a response rate of 30%.

Financial Information

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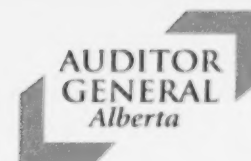
**NOTE: The unaudited financial information being presented here was derived from the
December 31, 2016 financial statements of each Improvement District.*

Ministry of Municipal Affairs

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

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Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Municipal Affairs as at March 31, 2017, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 6, 2017

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2017
(in thousands)

	2017		2016
	Budget	Actual	Actual
Revenues (Schedule 1)			
Government Transfers			
Federal and Other Government Grants	\$ 256,083	\$ 724,951	\$ 214,303
Premiums, Fees and Licenses	40,696	33,022	30,975
Investment Income	215	565	713
Other Revenue	5,012	49,777	80,152
	<u>302,006</u>	<u>808,315</u>	<u>326,143</u>
Expenses - Directly Incurred (Note 2(b) and Schedules 2 and 4)			
Programs			
Ministry Support Services	18,167	15,278	15,747
Municipal Services and Legislation	12,638	11,022	10,720
Municipal Assessments and Grants	17,058	14,551	14,213
Municipal Sustainability Initiative	1,235,546	1,216,708	876,889
Federal Grant Programs	293,083	293,070	264,623
Grants in Place of Taxes	56,459	52,454	64,554
Alberta Community Partnership	20,000	19,629	44,308
Public Safety	16,721	16,456	14,243
Alberta Emergency Management Agency	34,425	33,533	35,743
Municipal Government Board	4,524	4,484	4,112
Library Services	36,619	36,539	35,870
Safety Codes Council	18,764	11,048	9,242
2013 Alberta Flooding (Note 14)	18,052	18,052	23,622
2016 Wood Buffalo Wildfire	-	709,602	-
	<u>1,782,056</u>	<u>2,452,426</u>	<u>1,413,886</u>
Annual Deficit	<u>\$ (1,480,050)</u>	<u>\$ (1,644,111)</u>	<u>\$ (1,087,743)</u>

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2017
(in thousands)

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and Cash Equivalents (Note 3)	\$ 3,256	\$ 700
Accounts Receivable (Note 4)	652,103	463,975
Portfolio Investments (Note 5)	11,131	10,809
	<u>666,490</u>	<u>475,484</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	1,074,559	844,572
Unearned Revenue (Note 7)	6,306	1,414
	<u>1,080,865</u>	<u>845,986</u>
Net Debt	<u>(414,375)</u>	<u>(370,502)</u>
Non-Financial Assets		
Tangible Capital Assets (Note 8)	7,313	7,604
Prepaid Expenses	98	113
	<u>7,411</u>	<u>7,717</u>
Net Liabilities	<u>\$ (406,964)</u>	<u>\$ (362,785)</u>
Net Liabilities at Beginning of Year	\$ (362,785)	\$ (868,422)
Annual Deficit	(1,644,111)	(1,087,743)
Adjustment to Net Assets (Note 15)	200	-
Net Financing Provided from General Revenues	1,599,732	1,593,380
Net Liabilities at End of Year	<u>\$ (406,964)</u>	<u>\$ (362,785)</u>

Contingent Liabilities and Contractual Obligations (Notes 9 and 10)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2017
(in thousands)

	2017		2016
	Budget	Actual	Actual
Annual Deficit	\$ (1,480,050)	\$ (1,644,111)	\$ (1,087,743)
Acquisition of Tangible Capital Assets	(3,875)	(1,700)	(3,003)
Amortization of Tangible Capital Assets (Note 8)	3,097	2,191	1,932
Loss on Disposal of Tangible Capital Assets		-	18
Change in Prepaid Expenses		15	57
Net Financing Provided from General Revenues		1,599,732	1,593,380
(Increase) Decrease in Net Debt		\$ (43,873)	\$ 504,641
Net Debt at Beginning of Year		(370,502)	(875,143)
Net Debt at End of Year		<u>\$ (414,375)</u>	<u>\$ (370,502)</u>

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2017
(in thousands)

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Operating Transactions		
Annual Deficit	\$ (1,644,111)	\$ (1,087,743)
Non-cash items included in Net Operating Results:		
Amortization of capital assets (Note 8)	2,191	1,932
Loss on Disposal of Tangible Capital Assets	-	18
	<u>(1,641,920)</u>	<u>(1,085,793)</u>
 (Increase) Decrease in Accounts Receivable	 (188,128)	 104,414
Decrease in Prepaid Expenses	15	57
Increase (Decrease) in Accounts Payable and Accrued Liabilities	229,987	(609,136)
Increase in Unearned Revenue	4,892	513
Cash Applied to Operating Transactions	<u>(1,595,154)</u>	<u>(1,589,945)</u>
 Capital Transactions		
Acquisition of Tangible Capital Assets (Note 8)	<u>(1,700)</u>	<u>(3,003)</u>
Cash Applied to Capital Transactions	<u>(1,700)</u>	<u>(3,003)</u>
 Investing Transactions		
Purchase of Portfolio Investments	(553)	(1,720)
Sale of Portfolio Investments	231	70
Cash Applied to Investing Transactions	<u>(322)</u>	<u>(1,650)</u>
 Financing Transactions		
Net Financing Provided from General Revenues	<u>1,599,732</u>	<u>1,593,380</u>
Cash Provided by Financing Transactions	<u>1,599,732</u>	<u>1,593,380</u>
 Increase (Decrease) in Cash and Cash Equivalents	 2,556	 (1,218)
Cash and Cash Equivalents at Beginning of Year	<u>700</u>	<u>1,918</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,256</u>	<u>\$ 700</u>

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2017

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The ministry consists of the Department of Municipal Affairs and the Safety Codes Council. The ministry is aligned with the strategic direction of the Government of Alberta by continuing to build a new relationship with municipalities that strengthens Alberta communities and provides opportunities for Albertans to succeed.

The ministry's desired outcomes are:

- Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments.
- A stronger system of standards ensuring quality infrastructure so that Albertans are safe in their homes and communities
- Albertans have an enhanced ability to prepare for, respond to, and recover from emergencies and disaster.
- Albertans and municipalities receive fair, timely and well-reasoned decisions on matters before the Municipal Government Board and the New Home Buyer Protection Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity and Method of Consolidation

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The *Government Organization Act* defines a ministry as including the department and any provincial agency and crown-controlled organization for which the minister is responsible. The accounts of the Department of Municipal Affairs (*Government Organization Act*) and the Safety Codes Council (*Safety Codes Act*) are consolidated on a line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expenses, assets, and liabilities) are included in government's results. Revenue and expense, capital, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated. The ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 12.

The year end for the Safety Codes Council is December 31. All transactions of the Safety Codes Council that occurred between January 1, 2017 to March 31, 2017 and were with the Department of Municipal Affairs, have been recorded and subsequently eliminated upon consolidation. All other transactions of the Safety Codes Council which occurred between January 1, 2017 to March 31, 2017 that are \$1 million or greater and significantly affect the consolidated accounts, have been recorded.

The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

**MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting

Revenue

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue.

Investment income earned from restricted sources are unearned and recognized when the stipulations imposed have been met. Gains and losses on investments are not recognized in the Consolidated Statement of Operations until realized.

Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers are recognized as unearned revenue if the eligibility criteria of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues, as the stipulations are met and, when applicable, the ministry complies with its communicated uses of these transfers.

All other government transfers, without terms for the use of the transfer, are recognized as revenue when the transfer is authorized and the ministry meets the eligibility criteria (if any).

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

The ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Unearned Revenue

Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

**MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Expenses

Directly Incurred

Directly Incurred expenses are those costs the ministry has primary responsibility and accountability for. In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of employer contributions for current service of employees during the year; and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other related entities in support of the ministry's operations are not recognized and are allocated to programs to show the full cost in Schedule 4.

Valuation of Financial Assets and Liabilities
(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transactions between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable (excluding disaster recovery accounts receivable), accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable \$594,462 (2016 – \$430,331), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the ministry is unable to estimate the fair value.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the ministry's financial claims on external organizations and individuals.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Portfolio Investments

Portfolio investments are reported at cost, or amortized cost, less any write-downs associated with a loss in value that is other than a temporary decline. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value. Gains and losses on investments are recognized when an investment is sold or when there is a permanent impairment in the value of an investment.

Liabilities

Liabilities represent present obligations of the ministry to external organizations and individuals arising from transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the ministry at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets of the ministry are recognized at historical cost and amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is put into service.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recognized as grants in kind. Unrealized gains and losses on transfers to controlled entities are eliminated on consolidation.

Assets acquired by right are not included.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Non-Financial Assets (Cont'd)

Prepaid Expense

Prepaid expense are recognized at cost and amortized based on the terms of the agreement.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as \$762,832 (2016 – \$557,260) in these consolidated financial statements are subject to measurement uncertainty. A portion of the Government of Canada accounts receivable, \$594,462 (2016 – \$430,331) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the estimated disaster costs, and management's estimate of what disaster costs are eligible for Disaster Financial Assistance Arrangements. These changes can be attributed to such factors as inflation rate fluctuations in local construction costs, receipt of eligible claims, and the extent of the damage as it is identified.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the consolidated financial statements.

Risk Management

The ministry has minimal exposure to market price risk, liquidity risk, credit risk and interest rate risk due to the nature of its operations. Market price risk related to portfolio investments is managed through investment guidelines and policies, as monitored by management and the investment manager. Liquidity risk is minimized given the cash and cash equivalent balance within the ministry and maintaining a diverse and quality portfolio of investments in pooled funds. Exposure to credit risk is reduced as the primary creditors of the ministry are the Government of Alberta and the federal government. Credit risk is further managed by investing portfolio investments in diversified pooled funds. Guidelines and investment policies are set for portfolio investments and monitored by management and the investment advisor.

(c) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**

PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Future Accounting Changes (Cont'd)

• **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

• **PS 3450 Financial Instruments (effective April 1, 2019)**

The ministry has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

(in thousands)

Cash and Cash Equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short term securities with a maximum term to maturity of three years. As at March 31, 2017, securities held by the Fund have a time-weighted return of 0.9% per annum (2016 – 0.8% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2017		2016	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada				
Disaster Financial Assistance Arrangements	\$ 594,462	\$ -	\$ 594,462	\$ 430,331
Other	55,776	-	55,776	31,608
	650,238	-	650,238	461,939
Other	2,045	(180)	1,865	2,036
	\$ 652,283	\$ (180)	\$ 652,103	\$ 463,975

Accounts receivable are unsecured and non-interest bearing.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 5 PORTFOLIO INVESTMENTS

(in thousands)

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Interest Bearing Securities ⁽¹⁾				
Deposits and short-term securities	\$ 1	\$ 1	\$ 3	\$ 3
Bonds and mortgages	6,172	6,010	5,790	5,731
	<u>6,173</u>	<u>6,011</u>	<u>5,793</u>	<u>5,734</u>
Equities				
Pooled Investment Funds	4,958	4,972	5,016	4,532
	<u>\$ 11,131</u>	<u>\$ 10,983</u>	<u>\$ 10,809</u>	<u>\$ 10,266</u>

⁽¹⁾ Following is the maturity structure based on principal amount:

	2017	2016
Under 1 Year	6%	11%
1 to 5 Years	49%	35%
6 to 10 Years	21%	27%
11 to 20 Years	3%	5%
Over 20 Years	21%	22%
	<u>100%</u>	<u>100%</u>

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016
	Net Realizable Value	Net Realizable Value
Other Accrued Liabilities		
Disaster Recovery	\$ 762,832	\$ 557,260
Other	<u>305,809</u>	<u>285,705</u>
	1,068,641	842,965
Accounts Payable	<u>5,918</u>	<u>1,607</u>
	<u>\$ 1,074,559</u>	<u>\$ 844,572</u>

NOTE 7 UNEARNED REVENUE

(in thousands)

	Federal Gas Tax Fund	Other	2017 Total	2016 Total
Unearned Revenue				
Balance, beginning of year	\$ 1,162	\$ 252	\$ 1,414	\$ 901
Received/receivable during the year	221,744	4,681	226,425	209,413
Less amounts recognized as revenue	<u>(218,799)</u>	<u>(2,734)</u>	<u>(221,533)</u>	<u>(208,900)</u>
Balance, end of year	<u>\$ 4,107</u>	<u>\$ 2,199</u>	<u>\$ 6,306</u>	<u>\$ 1,414</u>

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 8 TANGIBLE CAPITAL ASSETS

(in thousands)

	Equipment ⁽¹⁾	Leasehold Improvements	Computer Hardware and Software	2017 Total	2016 Total
	5-10 years	Over lease term	3-5 years		
Estimated useful life					
Historical Cost ⁽²⁾					
Beginning of Year	\$ 2,100	\$ 1,097	\$ 24,505	\$ 27,702	\$ 27,807
Additions	31	-	1,669	1,700	3,003
Transfer In (Note 15)	-	-	200	200	-
Disposals, including write-downs	(71)	-	(1,306)	(1,377)	(3,108)
	2,060	1,097	25,068	28,225	27,702
Accumulated Amortization					
Beginning of Year	\$ 1,449	\$ 657	\$ 17,992	\$ 20,098	\$ 21,256
Amortization expense	186	133	1,872	2,191	1,932
Effect of disposals	(71)	-	(1,306)	(1,377)	(3,090)
	1,564	790	18,558	20,912	20,098
Net book value at March 31, 2017	\$ 496	\$ 307	\$ 6,510	\$ 7,313	
Net book value at March 31, 2016	\$ 651	\$ 440	\$ 6,513		\$ 7,604

⁽¹⁾ Equipment includes office equipment and emergency mobile command and coordination vehicles.

⁽²⁾ Historical cost includes work-in-progress at March 31, 2017 comprised of: computer hardware and software \$1,323 (2016 - \$1,456). \$200 of the work-in-progress for computer and software are for One IMT Enterprise applications and systems that was transferred from Service Alberta.

NOTE 9 CONTINGENT LIABILITIES

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has been named in two (2016 - six) claims of which the outcome is not determinable. Of these claims, one (2016 - six) has a specified amount totalling \$500 (2016 - \$11,438). Included in the total claims, one claim totalling \$500 (2016 - three claims totalling \$583) is covered in whole or in part by the Alberta Risk Management Fund.

The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 10 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2017	2016
Contracts ⁽¹⁾	\$ 22,900	\$ 26,434
	\$ 22,900	\$ 26,434

⁽¹⁾ Includes contracts for supplies and services and an operating lease for office space, photocopiers and related services

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Contracts
2017-18	\$ 10,183
2018-19	6,770
2019-20	5,831
2020-21	86
2021-22	30
Thereafter	-
	\$ 22,900

NOTE 11 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), Public Service Pension Plan (PSPP) and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$7,985 for the year ended March 31, 2017 (2016 – \$6,945).

At December 31, 2016, MEPP reported a surplus of \$402,033 (2015 – surplus \$299,051), and the PSPP reported a surplus of \$302,975 (2015 – deficiency \$133,188), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 – deficiency \$16,305).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of \$101,515 (2016 – surplus \$83,006) and the Management, Opted Out and Excluded Plan a surplus of \$31,439 (2016 – surplus \$29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

MINISTRY OF MUNICIPAL AFFAIRS **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)** **MARCH 31, 2017**

NOTE 12 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's consolidated financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2016 and December 31, 2015 were as follows:

	2016	2015
Special Areas Trust Account	\$ 294,980	\$ 291,553
Improvement Districts' Trust Account	21,687	20,205
	<u>\$ 316,667</u>	<u>\$ 311,758</u>

NOTE 13 PAYMENTS UNDER AGREEMENT

(in thousands)

The ministry has entered into agreements to deliver programs and services that are fully funded by Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program. Costs under these agreements are incurred by the Ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes \$1,169 (2016 - \$1,203) and accounts payable includes \$20 (2016 -\$17) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2017	2016
First Nations Emergency Management Support Program	<u>\$ 950</u>	<u>\$ 915</u>

NOTE 14 2013 ALBERTA FLOODING

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the ministry through the authority of the *Disaster Recovery Regulation*.

The ministry recognizes the DRP expense when the Government of Alberta issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The ministry recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (Oic) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through Oic 162.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 14 2013 ALBERTA FLOODING (Cont'd)

The estimate of DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from DFAA revenue. The department will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

The DRP expense and DFAA revenue are both calculated based on management estimates (Note 2(b)). The projected DRP expense and DFAA revenue is adjusted to reflect management's best estimate of the remaining obligations of the DRP and expected DFAA revenue.

Also, the Province's flood recovery initiatives included non-disaster recovery programs (non-DRP). The ministry recognizes non-DRP expenses when the expense recognition criteria are met.

	2017	2016
Consolidated Statement of Operations		
Revenue		
Disaster Financial Assistance Arrangements (GoC) ⁽¹⁾	\$ (24,517)	\$ (18,174)
Prior Year Expenditure Refunds ⁽²⁾⁽³⁾	22,851	54,310
Expenses		
2013 Alberta Flooding		
Non Disaster Recovery Program	18,052	23,622
Consolidated Statement of Financial Position		
Accounts Receivable (GoC) ⁽¹⁾	352,282	376,799
Accounts Payable and Accrued Liabilities ⁽⁴⁾	332,293	497,970

(1) In 2016, the total estimated GoC revenue was \$976,799. This amount was adjusted in 2017 by (\$24,517) as a result of changes in expected DFAA revenue; consequently, the total estimated GoC revenue is now \$952,282. Accounts Receivable of \$352,282 reflects \$600,000 in advances received.

(2) In 2016, total estimated DRP expense was \$1,595,174. This amount was adjusted in 2017 by (\$23,631) as a result of changes in estimated future DRP costs; consequently, the total estimated DRP expense is now \$1,571,543. The adjustment reflects \$22,851 of prior year expenditure refunds (PYER) and \$780 transferred to other disaster programs.

(3) Prior Year Expenditure Refunds (PYER) is the result of decreases to the total estimated DRP expense estimated in prior years.

(4) Accounts Payable and Accrued Liabilities for the DRP decreased by \$165,677. The decrease was a result of payments of \$142,046 and a change in estimate of \$23,631.

NOTE 15 ADJUSTMENT TO NET ASSETS

The reconciliation of adjustments to net assets is as follows:

	2017	2016
Non-Grant Transfer of Tangible Capital Asset from Service Alberta	\$ 200	\$ -

NOTE 16 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

NOTE 17 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The deputy minister and senior financial officer approved these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2017
(in thousands)

Schedule 1

	2017		2016
	Budget	Actual	Actual
Federal and Other Government Grants			
Federal Grant Programs	\$ 256,083	\$ 255,934	\$ 236,369
Disaster Financial Assistance Arrangements ⁽¹⁾	-	469,017	(22,066)
Other	-	-	-
	<u>256,083</u>	<u>724,951</u>	<u>214,303</u>
Premiums, Fees and Licences	<u>40,696</u>	<u>33,022</u>	<u>30,975</u>
Investment Income	<u>215</u>	<u>565</u>	<u>713</u>
Other Revenue			
Current Expenditure Refunds	4,467	4,591	4,244
Prior Year Expenditure Refunds	-	44,565	75,840
Miscellaneous	545	621	68
	<u>5,012</u>	<u>49,777</u>	<u>80,152</u>
	<u>\$ 302,006</u>	<u>\$ 808,315</u>	<u>\$ 326,143</u>

⁽¹⁾ 2017 Disaster Financial Assistance Arrangements includes an adjustment of (\$24,517) (2016 - (\$18,174)) as a result of changes in estimated future 2013 Alberta Flooding DRP costs - see note 2(b).

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
 EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
 Year ended March 31, 2017
(in thousands)

Schedule 2

	2017		2016
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 72,802	\$ 94,231	\$ 60,847
Supplies and Services	32,683	92,363	24,333
Grants	1,673,206	2,263,371	1,326,596
Amortization of Tangible Capital Assets (Note 8)	3,097	2,191	1,932
Other	268	270	175
	<u>\$ 1,782,056</u>	<u>\$ 2,452,426</u>	<u>\$ 1,413,886</u>

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
 RELATED PARTY TRANSACTIONS
 Year ended March 31, 2017
 (in thousands)

Schedule 3

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2017	2016
Expenses - Directly Incurred		
Business and Technology Services	\$ 2,224	\$ 2,234
Insurance	108	130
Other Services	232	250
	<u>\$ 2,564</u>	<u>\$ 2,614</u>
Tangible Capital Assets Transferred In		
Service Alberta	\$ 200	\$ -
	<u>\$ 200</u>	<u>\$ -</u>
Accrued Liabilities and Accounts Payable with		
Alberta Health Services	\$ 23,856	\$ -
Alberta Social Housing Corporation	4,572	2,877
Community and Social Services	9,953	-
Environment and Parks	1,967	-
Environmental Protection and Enhancement Fund	23,640	-
Infrastructure	371	-
Indigenous Relations	15	-
Health Authorities	-	139
School Jurisdictions	-	4,256
Post Secondary Institutions	-	58
	<u>\$ 64,374</u>	<u>\$ 7,330</u>

The ministry also had transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the consolidated financial statements and are disclosed in Schedule 4.

The ministry paid \$51,768 (2016 - \$63,786) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2017
(in thousands)

Schedule 4

Program	2017				2016	
	Expenses - Incurred by Others				Expenses	Expenses
	Expenses ⁽¹⁾	Accommo- dation Costs ⁽²⁾	Legal Services ⁽³⁾	Business Services ⁽⁴⁾		
Ministry Support Services	\$ 15,278	\$ 907	\$ 274	\$ 3,079	\$ 19,538	\$ 19,779
Municipal Services and Legislation	11,022	784	504	-	12,310	11,957
Municipal Assessments and Grants	14,551	1,076	64	-	15,691	15,408
Municipal Sustainability Initiative	1,216,708	-	-	-	1,216,708	876,889
Federal Grant Programs	293,070	-	-	-	293,070	264,623
Grants in Place of Taxes	52,454	-	-	-	52,454	64,554
Alberta Community Partnership	19,629	-	-	-	19,629	44,308
Public Safety	16,456	897	257	-	17,610	15,355
Alberta Emergency Management Agency	33,533	992	229	-	34,754	36,965
Municipal Government Board	4,484	160	3	-	4,647	4,274
Library Services	36,539	123	-	-	36,662	35,992
Safety Codes Council	11,048	-	-	-	11,048	9,242
2013 Alberta Flooding	18,052	1,077	-	-	19,129	24,513
2016 Wood Buffalo Wildfire	709,602	198	-	-	709,800	-
	<u>\$ 2,452,426</u>	<u>\$ 6,214</u>	<u>\$ 1,331</u>	<u>\$ 3,079</u>	<u>\$ 2,463,050</u>	<u>\$ 1,423,859</u>

⁽¹⁾ Expenses – Directly Incurred as per Consolidated Statement of Operations.

⁽²⁾ Accommodation Costs allocated by number of employees.

⁽³⁾ Legal Services Costs allocated by estimated costs incurred by each program.

⁽⁴⁾ Business Services Costs, including charges for IT support and other services, allocated by costs in certain programs.

Department of Municipal Affairs

FINANCIAL STATEMENTS

March 31, 2017

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Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Municipal Affairs as at March 31, 2017, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 6, 2017

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2017
(in thousands)

	2017		2016
	Budget	Actual	Actual
Revenues (Schedule 1)			
Government Transfers			
Federal and Other Government Grants	\$ 256,083	\$ 724,951	\$ 214,303
Premiums, Fees and Licences	22,281	22,367	21,996
Other	4,517	49,685	80,062
	<u>282,881</u>	<u>797,003</u>	<u>316,361</u>
Expenses - Directly Incurred (Note 2(b) and Schedules 3, 4, 6, and 7)			
Programs			
Ministry Support Services	18,167	15,278	15,747
Municipal Services and Legislation	12,638	11,022	10,720
Municipal Assessments and Grants	17,058	14,551	14,213
Municipal Sustainability Initiative	1,235,546	1,216,708	876,889
Federal Grant Programs	293,083	293,070	264,623
Grants in Place of Taxes	56,459	52,454	64,554
Alberta Community Partnership	20,000	19,629	44,307
Public Safety	16,721	16,706	14,603
Alberta Emergency Management Agency	34,425	33,533	35,742
Municipal Government Board	4,524	4,484	4,112
Library Services	36,619	36,539	35,870
2013 Alberta Flooding (Note 12)	18,052	18,052	23,622
2016 Wood Buffalo Wildfire	-	709,602	-
	<u>1,763,292</u>	<u>2,441,628</u>	<u>1,405,002</u>
Annual Deficit	<u>\$ (1,480,411)</u>	<u>\$ (1,644,625)</u>	<u>\$ (1,088,641)</u>

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2017
(in thousands)

	2017	2016
Financial Assets		
Cash	\$ 206	\$ 33
Accounts Receivable (Note 3)	651,716	463,422
	<u>651,922</u>	<u>463,455</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 4)	1,074,192	844,269
Unearned Revenue (Note 5)	4,107	1,162
	<u>1,078,299</u>	<u>845,431</u>
Net Debt	<u>(426,377)</u>	<u>(381,976)</u>
Non-Financial Assets		
Tangible Capital Assets (Note 6)	6,021	6,313
Net Liabilities	<u>\$ (420,356)</u>	<u>\$ (375,663)</u>
Net Liabilities at Beginning of Year	\$ (375,663)	\$ (880,402)
Annual Deficit	(1,644,625)	(1,088,641)
Adjustment to Net Assets (Note 13)	200	-
Net Financing Provided from General Revenues	1,599,732	1,593,380
Net Liabilities at End of Year	<u>\$ (420,356)</u>	<u>\$ (375,663)</u>

Contingent Liabilities and Contractual Obligations (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2017
(in thousands)

	2017		2016
	Budget	Actual	Actual
Annual Deficit	\$ (1,480,411)	\$ (1,644,625)	\$ (1,088,641)
Acquisition of Tangible Capital Assets	(3,017)	(1,297)	(2,314)
Amortization of Tangible Capital Assets (Note 6)	2,929	1,789	1,676
Loss on Disposal of Tangible Capital Assets		-	10
Net Financing Provided from General Revenues		1,599,732	1,593,380
(Increase) Decrease in Net Debt		\$ (44,401)	\$ 504,111
Net Debt at Beginning of Year		(381,976)	(886,087)
Net Debt at End of Year		\$ (426,377)	\$ (381,976)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2017
(in thousands)

	<u>2017</u>	<u>2016</u>
Operating Transactions		
Annual Deficit	\$ (1,644,625)	\$ (1,088,641)
Non-cash Items Included in Net Operating Results:		
Amortization of Tangible Capital Assets (Note 6)	1,789	1,676
Loss on Disposal of Tangible Capital Assets	-	10
	<u>(1,642,836)</u>	<u>(1,086,955)</u>
 (Increase) Decrease in Accounts Receivable	 (188,294)	 104,368
Increase (Decrease) in Accounts Payable and Accrued Liabilities	229,923	(608,909)
Increase in Unearned Revenue	2,945	460
Cash Applied to Operating Transactions	<u>(1,598,262)</u>	<u>(1,591,036)</u>
 Capital Transactions		
Acquisition of Tangible Capital Assets (Note 6)	<u>(1,297)</u>	<u>(2,314)</u>
Cash Applied to Capital Transactions	<u>(1,297)</u>	<u>(2,314)</u>
 Financing Transactions		
Net Financing Provided from General Revenues	<u>1,599,732</u>	<u>1,593,380</u>
Cash Provided by Financing Transactions	<u>1,599,732</u>	<u>1,593,380</u>
 Increase in Cash	 173	 30
Cash at Beginning of Year	<u>33</u>	<u>3</u>
Cash at End of Year	<u>\$ 206</u>	<u>\$ 33</u>

The accompanying notes and schedules are part of these financial statements.

**DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017**

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The department is aligned with the strategic direction of the Government of Alberta by continuing to build a new relationship with municipalities that strengthens Alberta's communities and provides opportunities for Albertans to succeed.

The department's desired outcomes are:

- Albertans live in viable municipalities and communities with responsible, collaborative, and accountable local governments.
- A stronger system of standards ensuring quality infrastructure so that Albertans are safe in their homes and communities.
- Albertans have an enhanced ability to prepare for, respond to, and recover from emergencies and disaster.
- Albertans and municipalities receive fair, timely, and well-reasoned decisions on matters before the Municipal Government Board and the New Home Buyer Protection Board.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES**

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. The other entity reporting to the minister is the Safety Codes Council. The activities of this organization are not included in these financial statements. The department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 10 to these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta (GoA) operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from general revenues is the difference between all cash receipts and all cash disbursements made.

**DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting

Revenue

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recognized as unearned revenue.

Government Transfers

Transfers from the Government of Alberta (GoA), federal and other governments are referred to as government transfers.

Government transfers are recognized as unearned revenue if the eligibility criteria of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues, as the stipulations are met and, when applicable, the department complies with its communicated uses of these transfers.

All other government transfers, without terms for the use of the transfer, are recognized as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

The department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Unearned Revenue

Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Credit or Recovery

Credit or recovery initiatives provide a basis for authorizing spending. Credits or recoveries are shown in the details of the government estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

**DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

Directly Incurred (Cont'd)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of employer contributions for current service of employees during the year; and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other related entities in support of the department's operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

Valuation of Financial Assets and Liabilities

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable (excluding disaster recovery accounts receivable), and accounts payable and accrued liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

Disaster Recovery accounts receivable \$594,462 (2016 – \$430,331), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the department is unable to estimate the fair value.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets of the department are limited to cash and financial claims, such as advances to and receivables from other organizations, employees, and other individuals.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets of the department are limited to tangible capital assets.

Tangible Capital Assets

Tangible capital assets of the department are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major system enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recognized at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is put into service.

When tangible capital assets are gifted or sold for a nominal sum, the net book value of these physical assets, less any nominal proceeds, are recognized as grants in kind.

Assets acquired by right are not included.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program, disclosed as \$762,832 (2016 – \$557,260) in these financial statements are subject to measurement uncertainty. A portion of the Government of Canada accounts receivable, \$594,462 (2016 – \$430,331) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the estimated disaster costs and management's estimate of what disaster costs are eligible for Disaster Financial Assistance Arrangements. These changes can be attributed to such factors as inflation rate fluctuations in local construction costs, receipt of eligible claims, and the extent of the damage as it is identified.

**DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
REPORTING PRACTICES (Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Measurement Uncertainty (Cont'd)

(in thousands)

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(c) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000 and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.
- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.
- **PS 3450 Financial Instruments (effective April 1, 2019)**
Adoption of this standard requires corresponding adoption of PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation, and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. The department has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier.

Management is currently assessing the impact of these standards on the financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 3 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2017		2016	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada				
Disaster Financial Assistance Arrangements	\$ 594,462	\$ -	\$ 594,462	\$ 430,331
Other	55,776	-	55,776	31,608
	650,238	-	650,238	461,939
Other	1,658	(180)	1,478	1,483
	<u>\$ 651,896</u>	<u>\$ (180)</u>	<u>\$ 651,716</u>	<u>\$ 463,422</u>

NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016
Accrued Liabilities		-
Disaster Recovery	\$ 762,832	\$ 557,260
Other	308,173	285,954
	<u>1,071,005</u>	<u>843,214</u>
Accounts Payable	3,187	1,055
	<u>\$ 1,074,192</u>	<u>\$ 844,269</u>

NOTE 5 UNEARNED REVENUE

(in thousands)

	2017	2016
Unearned Revenue		
Balance, Beginning of Year	\$ 1,162	\$ 702
Cash Contributions Received/Receivable During the Year	221,744	208,650
Less Amounts Recognized as Revenue	(218,799)	(208,190)
Balance, End of Year	<u>\$ 4,107</u>	<u>\$ 1,162</u>

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ⁽¹⁾	Computer Hardware and Software	2017 Total	2016 Total
	10 years	5 years		
Estimated Useful Life				
Historical Cost⁽²⁾				
Beginning of Year	\$ 1,650	\$ 23,310	\$ 24,960	\$ 25,703
Additions	-	1,297	1,297	2,314
Transfer In (Note 13)	-	200	200	-
Disposals, Including Write-downs	(71)	(1,306)	(1,377)	(3,057)
	1,579	23,501	25,080	24,960
Accumulated Amortization				
Beginning of Year	1,197	17,450	18,647	20,018
Amortization Expense	137	1,652	1,789	1,676
Effect of Disposals	(71)	(1,306)	(1,377)	(3,047)
	1,263	17,796	19,059	18,647
Net Book Value at March 31, 2017	\$ 316	\$ 5,705	\$ 6,021	
Net Book Value at March 31, 2016	\$ 453	\$ 5,860		\$ 6,313

(1) Equipment includes office equipment and Emergency Mobile Command and Coordination Vehicles.

(2) Historical cost includes work-in-progress at March 31, 2017 totalling \$1,323 comprised of computer hardware and software \$1,323 (2016 - \$1,456).

NOTE 7 CONTINGENT LIABILITIES
(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in two (2016 – six) claims of which the outcome is not determinable. Of these claims, one (2016 – six) has a specified amount totalling \$500 (2016 – \$11,438). Included in the total claims, one claim totalling \$500 (2016 – three claims totalling \$583) is covered in whole or in part by the Alberta Risk Management Fund.

The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 8 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2017	2016
Obligations under Service Contracts	\$ 22,549	\$ 25,782

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Total
2017-18	\$ 9,919
2018-19	6,683
2019-20	5,831
2020-21	86
2021-22	30
Thereafter	-
	<u>\$ 22,549</u>

NOTE 9 BENEFIT PLANS

(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$7,985 for the year ended March 31, 2017 (2016 - \$6,945). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of \$402,033 (2015 – surplus \$299,051), the Public Service Pension Plan reported a surplus of \$302,975 (2015 – deficiency \$133,188), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 – deficiency \$16,305).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of \$101,515 (2016 – surplus \$83,006) and the Management, Opted Out and Excluded Plan a surplus of \$31,439 (2016 – surplus \$29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the accumulated surplus as disclosed in the audited financial statements of the trust funds for December 31, 2016 and December 31, 2015 were as follows:

	2016	2015
Special Areas Trust Account	\$ 294,980	\$ 291,553
Improvement Districts' Trust Account	21,687	20,205
	<u>\$ 316,667</u>	<u>\$ 311,758</u>

NOTE 11 PAYMENTS UNDER AGREEMENT
(in thousands)

The department has entered into agreements to deliver programs and services that are fully funded by Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Management Support Program. Costs under these agreements are incurred by the department under authority in Section 25 of the Financial Administration Act. Accounts receivable includes \$1,169 (2016 – \$1,203) and accounts payable includes \$20 (2016 – \$17) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2017	2016
First Nations Emergency Management Support Program	\$ 950	\$ 915

NOTE 12 2013 ALBERTA FLOODING
(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the department through the authority of the *Disaster Recovery Regulation*.

The department recognizes the DRP expense when the GoA issues an Order in Council. For the 2013 Alberta Flooding this occurred on June 25, 2013.

The department recognizes Disaster Financial Assistance Arrangements (DFAA) revenue when the Government of Canada (GoC) issues an Order in Council (OIC) declaring the Alberta disaster to be of a concern to the GoC. For the 2013 Alberta Flooding this occurred on July 3, 2013 through OIC 162.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017

NOTE 12 2013 ALBERTA FLOODING (Cont'd)
(in thousands)

The estimate of DFAA revenue from the GoC is determined by assessing eligible DRP expenses under the DFAA guidelines. As a result, some DRP expenses have been excluded from DFAA revenue. The department will continue to pursue revenue from the GoC for expenses that are currently excluded from the DFAA guidelines.

The DRP expense and DFAA revenue are both calculated based on management estimates (Note 2(b)). The projected DRP expense and DFAA revenue were adjusted to reflect management's best estimate of the remaining obligations of the DRP and expected DFAA revenue.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). The department recognizes non-DRP expenses when the expense recognition criteria are met.

	2017	2016
Statement of Operations		
Revenue		
Disaster Financial Assistance Arrangements (GoC) ⁽¹⁾	\$ (24,517)	\$ (18,174)
Prior Year Expenditure Refunds ^{(2) (3)}	22,851	54,310
Expenses		
2013 Alberta Flooding		
Non Disaster Recovery Program	18,052	23,622
Statement of Financial Position		
Accounts Receivable (GoC) ⁽¹⁾	352,282	376,799
Accounts Payable and Accrued Liabilities ⁽⁴⁾	332,293	497,970

(1) In 2016, the total estimated GoC revenue was \$976,799. This amount was adjusted in 2017 by (\$24,517) as a result of changes in expected DFAA revenue; consequently, the total estimated GoC revenue is now \$952,282. Accounts Receivable of \$352,282 reflects \$600,000 in advances received.

(2) In 2016, total estimated DRP expense was \$1,595,174. This amount was adjusted in 2017 by (\$23,631) as a result of changes in estimated future DRP costs; consequently, the total estimated DRP expense is now \$1,571,543. The adjustment reflects \$22,851 of prior year expenditure refunds (PYER) and \$780 transferred to other disaster programs.

(3) Prior year expenditure refunds are the result of decreases to the total estimated DRP expense estimated in prior years.

(4) Accounts Payable and Accrued Liabilities for the DRP decreased by \$165,677. The decrease was a result of payments of \$142,046 and a change in estimate of \$23,631.

NOTE 13 ADJUSTMENTS TO NET ASSETS

The reconciliation of adjustments to net assets is as follows:

	2017	2016
Non-Grant Transfer of Tangible Capital Asset from Service Alberta	\$ 200	\$ -

**DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2017**

NOTE 14 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

The deputy minister and the senior financial officer approve these financial statements.

**DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES**

Year ended March 31, 2017

(in thousands)

Schedule 1

	2017		2016
	Budget	Actual	Actual
Government Transfers			
Federal and Other Government Grants			
Federal Grant Programs	\$ 256,083	\$ 255,934	\$ 236,369
Disaster Financial Assistance Arrangements ⁽¹⁾	-	469,017	(22,066)
	<u>256,083</u>	<u>724,951</u>	<u>214,303</u>
Premiums, Fees, and Licences	<u>22,281</u>	<u>22,367</u>	<u>21,996</u>
Other Revenue			
Current Expenditure Recoveries	4,467	4,574	4,215
Prior Year Expenditure Refunds	-	44,565	75,840
Miscellaneous	50	546	7
	<u>4,517</u>	<u>49,685</u>	<u>80,062</u>
Total Revenues	<u>\$ 282,881</u>	<u>\$ 797,003</u>	<u>\$ 316,361</u>

⁽¹⁾ 2017 Disaster Financial Assistance Arrangements includes an adjustment of (\$24,517) (2016 - (\$18,174)) as a result of changes in estimated future 2013 Alberta Flooding DRP costs - see note 2(b).

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
CREDIT OR RECOVERY
Year ended March 31, 2017
(in thousands)

Schedule 2

	Authorized ⁽¹⁾	Actual Revenue Recognized	Total Revenue Received/ Receivable	(Shortfall)/ Excess ⁽²⁾
Municipal Assessments and Grants				
Linear Assessment Services ⁽³⁾	\$ 2,973	\$ 2,956	\$ -	\$ (17)
	<u>\$ 2,973</u>	<u>\$ 2,956</u>	<u>\$ -</u>	<u>\$ (17)</u>

⁽¹⁾ Only expenditures are authorized.

⁽²⁾ Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

⁽³⁾ The department prepares linear property assessments for various municipalities on a cost recovery basis. The department prepares the linear property assessments, sends assessment notices to taxpayers, defends the assessments and provides data to municipalities, who in turn charge taxes to the owners of the linear property. The revenue is reported as part of other revenue on the Statement of Operations.

DEPARTMENT OF MUNICIPAL AFFAIRS
 SCHEDULE TO FINANCIAL STATEMENTS
 EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
 Year ended March 31, 2017
 (in thousands)

Schedule 3

	2017		2016
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 62,441	\$ 88,592	\$ 55,587
Supplies and Services	24,648	87,456	20,710
Grants	1,673,206	2,263,621	1,326,956
Amortization of Tangible Capital Assets	2,929	1,789	1,676
Other	68	170	73
	<u>\$ 1,763,292</u>	<u>\$ 2,441,628</u>	<u>\$ 1,405,002</u>

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2017
(in thousands)

Schedule 4

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over Expended)
Program - Operating Expense						
1 Ministry Support Services						
1.1 Minister's Office	\$ 895	\$ -	\$ -	\$ 895	\$ 903	\$ (8)
1.2 Deputy Minister's Office	905	-	-	905	875	30
1.3 Support Services	15,619	(500)	-	15,119	13,233	1,886
	17,419	(500)	-	16,919	15,011	1,908
2 Municipal Services and Legislation						
2.1 Program Support	1,794	-	-	1,794	1,789	5
2.2 Major Legislative Projects and Strategic Planning	3,109	-	-	3,109	2,653	456
2.3 Municipal Services	7,715	-	-	7,715	6,494	1,221
	12,618	-	-	12,618	10,936	1,682
3 Municipal Assessments and Grant Administration						
3.1 Program Support	1,396	-	-	1,396	1,033	363
3.2 Assessment Services	8,118	-	(17)	8,101	7,328	773
3.3 Grants and Education Property Tax	6,097	146	-	6,243	5,770	473
	15,611	146	(17)	15,740	14,131	1,609
Municipal Sustainability Initiative						
4.1 Municipal Sustainability Initiative Operating	30,000	(1,712)	-	28,288	28,288	-
4.2 Municipal Sustainability Initiative Capital	846,000	1,712	-	847,712	847,712	-
4.3 Basic Municipal Transportation Grant	359,546	(18,838)	-	340,708	340,708	-
	1,235,546	(18,838)	-	1,216,708	1,216,708	-
5 Federal Grant Programs						
5.1 Federal Gas Tax Fund	219,083	1,162	-	220,245	218,799	1,446
5.2 Building Canada - Communities Component	-	558	-	558	271	287
5.3 Small Communities Fund	74,000	-	-	74,000	74,000	-
	293,083	1,720	-	294,803	293,070	1,733
6 Grants in Place of Taxes	56,459	(1,000)	-	55,459	52,454	3,005
7 Alberta Community Partnership	20,000	(1,500)	-	18,500	19,629	(1,129)
8 Public Safety						
8.1 Central Operations	2,149	-	-	2,149	2,600	(451)
8.2 Safety Services	6,908	-	-	6,908	5,989	919
8.3 Office of the Fire Commissioner	4,037	200	-	4,237	5,602	(1,365)
8.5 New Home Buyer Protection Program	2,827	-	(384)	2,443	1,595	848
	15,921	200	(384)	15,737	15,786	(49)

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2017
(in thousands)

Schedule 4
(Cont'd)

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over Expended)
9 Alberta Emergency Management Agency						
9.1 Managing Director's Office	473	-	-	473	941	(468)
9.2 Policy and Support	4,926	-	-	4,926	4,868	58
9.3 Operations	6,450	-	-	6,450	5,538	912
9.4 Recovery Operations	3,091	-	-	3,091	2,128	963
9.5 Disaster Recovery	200	748	-	948	806	142
9.6 Emergency Preparedness Grants	150	-	-	150	150	-
	15,290	748	-	16,038	14,431	1,607
10 Municipal Government Board	4,520	-	-	4,520	4,371	149
11 Library Services						
11.1 Library Services Operations	1,698	-	-	1,698	1,593	105
11.2 Provincial Library Network	34,921	-	-	34,921	34,992	(71)
	36,619	-	-	36,619	36,585	34
12 2013 Alberta Flooding						
12.5 High River - Long-term Recovery	18,052	-	-	18,052	18,052	-
13 2016 Wood Buffalo Wildfire						
13.1 Response	-	499,409	-	499,409	508,395	(8,986)
13.2 Recovery	-	240,050	-	240,050	201,206	38,844
	-	739,459	-	739,459	709,601	29,858
Total	\$ 1,741,138	\$ 720,435	\$ (401)	\$ 2,461,172	\$ 2,420,765	\$ 40,407
Lapse/(Encumbrance)						\$ 40,407

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2017
(in thousands)

Schedule 4
(Cont'd)

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over Expended)
Program - Capital Investment						
1 Ministry Support Services						
1.3 Support Services	\$ 85	\$ -	\$ -	\$ 85	422	\$ (337)
2 Municipal Services and Legislation						
2.1 Program Support	85	-	-	85	-	85
3 Municipal Assessments and Grant Administration						
3.2 Assessment Services	447	-	-	447	74	373
3.3 Grants and Education Property Tax	400	-	-	400	72	328
	847	-	-	847	146	701
8 Public Safety						
8.5 New Home Buyer Protection Program	-	-	384	384	360	24
9 Alberta Emergency Management Agency						
9.3 Operations	-	-	-	-	10	(10)
9.4 Recovery Operations	2,000	-	(1,564)	436	359	77
	2,000	-	(1,564)	436	369	67
Total	\$ 3,017	\$ -	\$ (1,180)	\$ 1,837	\$ 1,297	\$ 540
Lapse/(Encumbrance)						\$ 540
Financial Transactions						
12 2013 Alberta Flooding Liability Retirement						
12.1 Disaster Recovery Program - Flooding	\$ 367,472	\$ -	\$ (135,010)	\$ 232,462	\$ 142,046	\$ 90,416
Total	\$ 367,472	\$ -	\$ (135,010)	\$ 232,462	\$ 142,046	\$ 90,416
Lapse/(Encumbrance)						\$ 90,416

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transactions Vote by Program" page 195 to page 198 of 2016-17 Government Estimates.

(2) Per the *Supplementary Supply Estimates* approved on March 30, 2017. These are outlined below:

- \$739,459 for the 2016 Wood Buffalo Wildfire Disaster Recovery Program
- \$748 for the 2015 Northern Alberta Disaster Recovery Program

(3) Adjustments include a \$17 credit or recovery shortfall, an approved transfer of \$384 from operating to capital investment pursuant to the *Appropriation Act, 2015*, section 6(1), \$1,564 re-profiling of capital investments and \$113,718 of financial transactions to future years, and \$21,292 of financial transactions being lapsed.

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

**DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2017
(in dollars)**

Schedule 5

	2017			2016	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Department					
Deputy Minister ⁽⁴⁾	\$286,977	\$ -	\$ 72,344	\$359,321	\$ 362,234
Assistant Deputy Ministers					
Municipal Services and Legislation	186,595	-	48,448	235,043	237,165
Municipal Assessments and Grant ⁽⁵⁾	188,764	-	51,105	239,869	278,226
Public Safety	201,176	750	51,354	253,280	254,758
Corporate Strategic Services	201,176	-	54,911	256,087	255,942
Alberta Emergency Management Agency					
Managing Director	179,447	10,800	46,664	236,911	228,462

⁽¹⁾ Base salary includes regular salary and earnings such as acting pay.

⁽²⁾ Other cash benefits include vacation payouts, lump sum payments and management compensation related to the Government of Alberta's response to the 2016 Wood Buffalo Wildfire. There were no bonuses paid in 2017.

⁽³⁾ Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

⁽⁴⁾ Automobile provided, no dollar amount included in other non-cash benefits.

⁽⁵⁾ This position was occupied by two individuals during the year. The occupancy of this position changed March 6, 2017.

**DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2017
(in thousands)**

Schedule 6

Related parties are those entities consolidated or accounted for on the modified equity basis in the GoA's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties reported on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2017	2016	2017	2016
Expenses - Directly Incurred				
Grants	\$ 250	\$ 360	\$ -	\$ -
Business and Technology Services	-	-	2,224	2,234
Insurance	-	-	108	130
Other Services	-	-	232	250
	<u>\$ 250</u>	<u>\$ 360</u>	<u>\$ 2,564</u>	<u>\$ 2,614</u>
Tangible Capital Assets Transferred In				
Service Alberta	\$ -	\$ -	\$ 200	\$ -
Accrued Liabilities and Accounts Payable with				
Safety Codes Council	\$ 250	\$ 250	\$ -	\$ -
Alberta Health Services	-	-	23,856	-
Alberta Social Housing Corporation	-	-	4,572	2,877
Community and Social Services	-	-	9,953	-
Environment and Parks	-	-	1,967	-
Environmental Protection and Enhancement Fund	-	-	23,640	-
Infrastructure	-	-	371	-
Indigenous Relations	-	-	15	-
Health Authorities	-	-	-	139
School Jurisdictions	-	-	-	4,256
Post Secondary Institutions	-	-	-	58
	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 64,374</u>	<u>\$ 7,330</u>

The department also had transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the financial statements. Expenses are included in Schedule 7.

The department paid \$51,768 (2016 - \$63,786) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2017
(in thousands)

Schedule 7

Program	2017					2016
	Expenses - Incurred by Others					Total Expenses
	Expenses ⁽¹⁾	Accommo- dation Costs ⁽²⁾	Legal Services ⁽³⁾	Business Services ⁽⁴⁾	Total Expenses	
Ministry Support Services	\$ 15,278	\$ 907	\$ 274	\$ 3,079	\$ 19,538	\$ 19,779
Municipal Services and Legislation	11,022	784	504	-	12,310	11,957
Municipal Assessments and Grants	14,551	1,076	64	-	15,691	15,408
Municipal Sustainability Initiative	1,216,708	-	-	-	1,216,708	876,889
Federal Grant Programs	293,070	-	-	-	293,070	264,623
Grants in Place of Taxes	52,454	-	-	-	52,454	64,554
Alberta Community Partnership	19,629	-	-	-	19,629	44,307
Public Safety	16,706	897	257	-	17,860	15,715
Alberta Emergency Management Agency	33,533	992	229	-	34,754	36,964
Municipal Government Board	4,484	160	3	-	4,647	4,274
Library Services	36,539	123	-	-	36,662	35,992
2013 Alberta Flooding	18,052	1,077	-	-	19,129	24,513
2016 Wood Buffalo Wildfire	709,602	198	-	-	709,800	-
	<u>\$ 2,441,628</u>	<u>\$ 6,214</u>	<u>\$ 1,331</u>	<u>\$ 3,079</u>	<u>\$ 2,452,252</u>	<u>\$ 1,414,975</u>

⁽¹⁾ Expenses – Directly Incurred as per Statement of Operations.

⁽²⁾ Accommodation Costs allocated by number of employees.

⁽³⁾ Legal Services Costs allocated by estimated costs incurred by each program.

⁽⁴⁾ Business Services Costs, including charges for IT support and other services, allocated by costs in certain programs.

Safety Codes Council

FINANCIAL STATEMENTS

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Safety Codes Council

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2016, and its results of operations, its changes in net assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by KPMG LLP]

Chartered Professional Accountants

April 6, 2017
Edmonton, Canada

SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 3,047,065	\$ 556,136
Accounts receivable	385,752	553,116
Prepaid expenses and deposits	97,863	112,926
	<u>3,530,680</u>	<u>1,222,178</u>
Investments (note 2)	10,986,482	10,266,996
Capital assets (note 3)	1,303,713	1,302,675
	<u>\$ 15,820,875</u>	<u>\$ 12,791,849</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 616,489	\$ 552,315
Deferred revenue (note 4)	2,441,092	235,447
Current portion of deferred lease inducement	6,491	6,491
	<u>3,064,072</u>	<u>794,253</u>
Deferred lease inducement	543	7,034
Net assets:		
Unrestricted	8,599,682	8,230,185
Internally restricted (note 5)	3,000,000	3,000,000
Invested in capital assets	1,303,713	1,302,675
	<u>12,903,395</u>	<u>12,532,860</u>
Accumulated remeasurement losses	(147,135)	(542,298)
	<u>12,756,260</u>	<u>11,990,562</u>
Commitments (note 6)		
	<u>\$ 15,820,875</u>	<u>\$ 12,791,849</u>

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
	(Schedule 1)	
Revenues:		
Operating fees:		
Municipalities and agencies	\$ 5,980,197	\$ 6,629,155
Corporations	1,106,166	1,050,896
Permit fees	2,109,418	-
Course and exam fees (note 4)	755,552	612,610
Investment income	564,562	712,678
Master Electricians Program certification fees	554,130	563,820
Grants (note 4)	111,648	1,245,718
Certification (note 4)	97,785	88,629
Annual conference	57,430	45,184
Application development	37,400	16,300
Other revenues and recoveries	16,828	28,832
Designation of powers	12,775	15,900
Accreditation	11,257	12,123
Appeals	3,200	6,000
	11,418,348	11,027,845
Expenses:		
Salaries and benefits	5,639,416	5,259,782
Permit service fees	1,612,102	-
Contractors and consultants	855,874	1,071,119
Office rental	545,489	524,591
Amortization of capital assets	401,597	256,506
Travel (note 7)	291,105	338,987
Annual conference	287,464	305,855
Electronic business solutions	203,938	177,553
Course and seminar costs	203,749	170,028
Office and general	185,942	184,334
Publications	131,257	216,706
New course version	129,644	127,245
Bank and investment service charges	99,795	94,960
Professional fees	96,944	75,660
Meetings	96,346	104,592
Consulting fees	60,438	83,703
Test bank validations	51,696	14,238
Honoraria (note 7)	49,318	47,534
Insurance	31,216	30,085
New course development	28,221	45,520
Appeals	27,624	80,581
Special training programs	10,455	9,415
Corporate memberships	6,099	6,428
Electronic conversion	1,859	7,560
Course revisions	225	1,501
Loss on disposal of capital assets	-	7,294
	11,047,813	9,241,777
Excess of revenues over expenses	\$ 370,535	\$ 1,786,068

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Unrestricted	Internally restricted (note 5)	Invested in capital assets	2016 Total	2015 Total
Balance, beginning of year	\$ 8,230,185	\$ 3,000,000	\$ 1,302,675	\$ 12,532,860	\$ 10,746,792
Excess (deficiency) of revenues over expenses	772,132	-	(401,597)	370,535	1,786,068
Investment in capital assets	(402,635)	-	402,635	-	-
Balance, end of year	\$ 8,599,682	\$ 3,000,000	\$ 1,303,713	\$ 12,903,395	\$ 12,532,860

Statement of Remeasurement Gains and Losses

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement gains (losses), beginning of year	\$ (542,298)	\$ 117,297
Change in unrealized gains (losses) attributable to investments	519,508	(656,296)
Realized gains reclassified to statement of operations	(124,345)	(3,299)
Accumulated remeasurement losses, end of year	\$ (147,135)	\$ (542,298)

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flow

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 370,535	\$ 1,786,068
Item not involving cash:		
Amortization of capital assets	401,597	256,506
Loss on disposal of capital assets	-	7,294
Amortization of deferred lease inducement	(6,491)	(6,491)
Changes in non-cash operating working capital:		
Accounts receivable	167,364	51,603
Prepaid expenses and deposits	15,063	56,840
Accounts payable and accrued liabilities	64,174	15,825
Deferred revenue	2,205,645	(836,639)
	3,217,887	1,331,006
Capital activities:		
Purchase of capital assets	(402,635)	(688,619)
Investing activities:		
Reinvested net investment income from investments	(555,480)	(710,792)
Purchase of investments	-	(1,009,428)
Proceeds from disposition of investments	231,157	264,306
	(324,323)	(1,455,914)
Increase (decrease) in cash	2,490,929	(813,527)
Cash, beginning of year	556,136	1,369,663
Cash, end of year	\$ 3,047,065	\$ 556,136
Supplemental cash flow information:		
Bank and investment service charges paid	\$ 99,795	\$ 94,960

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2016

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Board of Directors, a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- administer the Master Electricians' program;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

The Council is also responsible for overseeing the provision of safety codes compliance monitoring (permitting and inspection services) in unaccredited areas in the Province of Alberta under the Alberta Safety Codes Authority (ASCA).

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions which include government grants. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues are recognized when earned or when the related services are provided.

(b) Capital assets:

Capital assets are recorded at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized. Capital assets that are not in use at year-end are not amortized.

(c) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a lease arrangement for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

(e) Allocation of expenses:

The Council records a number of its expenses by program. The cost of each program includes the personnel, premises and other expenses that are directly related to providing the program.

The Council allocates certain of its general support expenses by identifying the appropriate basis for allocation. Administration and corporate governance are not allocated.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains and losses are reversed and recognized in the statement of operations.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

The standards require the Council to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Significant amounts subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Investments:

	Level	2016	2015
Cash		\$ 2,860	\$ 590
Jarislowsky Fraser Money Market Fund	1	1,366	2,939
Pooled funds (quoted in an active market)			
Jarislowsky Fraser Bond Fund	2	6,010,048	5,730,988
Jarislowsky Fraser Canadian Equity Fund	2	4,061,560	4,532,479
Jarislowsky Fraser Global Equity Fund	2	910,648	-
		\$ 10,986,482	\$ 10,266,996

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2016 and 2015. There were no transfers in or out of Level 3.

3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 424,342	\$ 258,028	\$ 166,314	\$ 180,466
Equipment	56,413	43,066	13,347	17,352
Computer hardware	581,619	359,438	222,181	248,517
Computer software	984,427	399,954	584,473	405,697
Leasehold improvements	1,096,714	791,083	305,631	438,876
Copyright	11,767	-	11,767	11,767
	\$ 3,155,282	\$ 1,851,569	\$ 1,303,713	\$ 1,302,675

Included in computer software are capital assets with a cost of \$nil (2015 - \$295,210) which are not in use.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Deferred revenue:

	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized, net	Deferred revenue, end of year
<u>Core Operations</u>				
Grants:				
Province of Alberta - Safety System Outcome Survey	\$ -	\$ 250,524	\$ -	\$ 250,524
Province of Alberta - Safe Temporary Heat Education	1,238	-	(1,238)	-
	1,238	250,524	(1,238)	250,524
Course and exam fees	64,410	742,322	(755,552)	51,180
Certification	169,475	107,431	(97,785)	179,121
	235,123	1,100,277	(854,575)	480,825
<u>ASCA</u>				
Grants:				
Alberta Safety Codes Authority	324	110,086	(110,410)	-
Alberta Safety Codes Authority permit fees	-	4,069,685	(2,109,418)	1,960,267
	324	4,179,771	(2,219,828)	1,960,267
	\$ 235,447	\$ 5,280,048	\$ (3,074,403)	\$ 2,441,092

Safety System Outcome Survey

In the current year, the Council applied for and obtained a one-time conditional grant from the Province of Alberta. The grant provided for a total of \$250,000 to be received to complete a survey of the various participants in the safety codes system to identify any gaps in the system, potential risks and mitigating measures on a go-forward basis. An amendment to the grant agreement was obtained in late 2016 extending the project into fiscal 2017. The survey is expected to be executed and reported on during fiscal 2017.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Deferred revenue (continued):

Safe Temporary Heat Education Program

In 2014, the Council applied for and obtained a one-time conditional grant from the Province of Alberta. The grant provides for a total of \$60,000 to be received for the development of an education program to increase the safety of temporary heat installations on construction sites. The activities were completed in the current year.

Alberta Safety Codes Authority

In 2013, the Council applied for and obtained a one-time conditional grant from the Province of Alberta. The grant provided for a total of \$1,500,000 to be received to complete the research (Phase 1 - \$150,000), development (Phase 2 - \$1,000,000) and implementation (Phase 3 - \$350,000) of the Alberta Safety Codes Authority. Phase 1 was completed in late 2013. In 2014, the Council commenced development, and in fiscal 2015, an amendment to the grant agreement was obtained permitting the Council to use the Phase 3 funding for development expenditures. In 2016, additional funds in the amount of \$110,000 were provided to assist with implementation, which occurred during the year. The activities were completed in the current year.

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of \$3,000,000 to manage sustainability risk over the medium term. Access to the restricted net assets is granted by resolution of the Board of Directors.

6. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases photocopiers and related services, expiring in March 2017.

2017	\$	264,275
2018		86,988
	\$	351,263

The Council is also responsible for its share of operating costs related to the office premises lease.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Remuneration and other costs disclosure:

Board of Director members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of \$49,318 (2015 - \$47,534) included in honoraria expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2016	2015
Board of Director members:		
Remuneration	\$ 49,318	\$ 47,534
Other	16,690	10,739
	\$ 66,008	\$ 58,273

8. Related party transactions:

Transactions with the Province of Alberta are considered to be in the normal course of operations. Grant revenue includes \$111,648 (2015 - \$1,245,718) from the Province of Alberta.

The Province of Alberta currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost.

9. Financial risks and concentration of credit risk:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Financial risks and concentration of credit risk (continued):

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are in pooled-funds and carried at fair value with fair value changes recognized in the statement of operations and statement of remeasurement gains (losses), all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through their investment guidelines and policies, as monitored by the management of the Council and its investment manager. There have been no significant changes to the market price risk exposure from 2015.

Liquidity risk

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, and there will be no ability to sell its financial instruments should it wish to do so.

The Council's Investment Policy, which is reviewed and approved by the Board of Directors annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in pooled funds. Although market events could lead to some investments within the pooled fund becoming illiquid, the diversity and quality of the Council's investments is designed to ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. There have been no significant changes to the liquidity risk exposure from 2015.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Financial risks and concentration of credit risk (continued):

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

The Council manages credit risk by investing diversified pooled funds. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations. There have been no significant changes to the credit risk exposure from 2015.

Interest rate risk

The Council is exposed to interest rate risk associated with the underlying interest-bearing instruments held in the Jarislowsky Fraser Bond Fund. To properly manage the Council's interest rate risk, appropriate guidelines and investment policies are set and monitored by management of the Council and its investment manager. There have been no significant changes to the interest rate risk exposure from 2015.

SAFETY CODES COUNCIL

Schedule 1: Operating Activities

Year ended December 31, 2016

	Core operations	ASCA	2016
Revenue:			
Operating fees:			
Municipalities and agencies	\$ 5,980,197	\$ -	\$ 5,980,197
Corporations	1,106,166	-	1,106,166
Permit fees	-	2,109,418	2,109,418
Course and exam fees	755,552	-	755,552
Investment income	563,625	937	564,562
Master Electricians Program certification fees	554,130	-	554,130
Grants	1,238	110,410	111,648
Certification	97,785	-	97,785
Annual conference	57,430	-	57,430
Application development	37,400	-	37,400
Other revenue and recoveries	16,828	-	16,828
Designation of powers	12,775	-	12,775
Accreditation	11,257	-	11,257
Appeals	3,200	-	3,200
	9,197,583	2,220,765	11,418,348
Expenses:			
Salaries and benefits	5,172,317	467,099	5,639,416
Permit service fees	-	1,612,102	1,612,102
Contractors and consultants	779,357	76,517	855,874
Office rental	512,157	33,332	545,489
Amortization of capital assets	346,950	54,647	401,597
Travel	284,713	6,392	291,105
Annual conference	287,464	-	287,464
Electronic business solutions	201,666	2,272	203,938
Course and seminar costs	203,749	-	203,749
Office and general	182,238	3,704	185,942
Publications	123,395	7,862	131,257
New course version	129,644	-	129,644
Bank and investment service charges	99,746	49	99,795
Professional fees	88,686	8,258	96,944
Meetings	92,351	3,995	96,346
Consulting fees	60,438	-	60,438
Test bank validations	51,696	-	51,696
Honoraria	49,318	-	49,318
Insurance	29,173	2,043	31,216
New course development	28,221	-	28,221
Appeals	27,624	-	27,624
Special training programs	10,455	-	10,455
Corporate memberships	6,099	-	6,099
Electronic conversion	1,859	-	1,859
Course revisions	225	-	225
Loss on disposal of capital assets	-	-	-
	8,769,541	2,278,272	11,047,813
Excess (deficiency) of revenues over expenses	\$ 428,042	\$ (57,507)	\$ 370,535

See accompanying notes to the financial statements

Summary Statement of Revenue and Expenditures of the Improvement Districts' Trust Account—UNAUDITED*

Summary Statement of Revenue and Expenditures	136
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**NOTE: The unaudited financial information being presented here was derived from the December 31, 2016 financial statements of each Improvement District.*

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ALBERTA MUNICIPAL AFFAIRS | 2016-17 ANNUAL REPORT

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2016
(Unaudited)

REVENUES

General Municipal:

Taxation

	4	9	12	13	24	25	Kananaskis	349	Total
	(Waterton)	(Banff)	(Jasper)	(Elk Island)	(Wood Buffalo)	(Willmore Wilderness)			
\$ 692,552	\$ 2,865,008	\$ 55,023	\$ 4,129	\$ 6,560	\$ -	\$ -	\$ 1,268,239	\$ 5,135,205	\$ 10,026,716
171,027	1,108,968	40,994	26,036	15,130	-	-	10,991	63,821	1,436,967
-	-	-	-	-	-	-	75,801	-	75,801
7,296	100,344	144,901	5,778	4,175	-	-	339,849	14,645,300	15,247,643
-	-	-	-	-	-	-	-	13,494,855	13,494,855
870,875	4,074,320	240,918	35,943	25,865	-	-	1,694,880	33,339,181	40,281,982

Less payment of requisitions to:

Alberta School Foundation Fund
Seniors Foundation

General municipal taxes

Government transfers

Penalties and costs

Interest

Utility Services

Other

427,186	1,981,942	184,842	22,443	10,592	-	-	537,631	4,516,284	7,680,920
-	74,481	20,591	-	-	-	-	26,242	534,752	656,066
427,186	2,056,423	205,433	22,443	10,592	-	-	563,873	5,051,036	8,336,986
443,689	2,017,897	35,485	13,500	15,273	-	-	1,131,007	28,288,145	31,944,996
559,666	947,309	117,839	5,942	671,629	4,736	-	289,992	1,710,192	4,307,305
19,773	31,181	30	-	153	-	-	20,836	168	72,141
6,059	56,954	4,009	2,272	216	-	-	20,732	59,903	150,145
-	-	-	-	-	-	-	564,468	-	564,468
35	69,997	-	-	-	-	-	190,192	-	260,224
1,029,222	3,123,338	157,363	21,714	687,271	4,736	-	2,217,227	30,058,408	37,299,279

EXPENDITURES

General Municipal:

Administrative services

Protective services

Transportation services

Assessment fees

Grants

Recreation and cultural services

Utilities

Honorarium

Garbage collection and disposal

Interest

Amortization

Other expenditures

50,172	188,168	10,896	691	923	-	-	340,126	302,560	893,526
-	753,002	26,907	-	-	-	-	912,301	-	1,692,210
-	-	-	-	-	-	-	120,087	-	120,087
10,027	30,686	11,773	8,147	10,894	-	-	-	138,616	210,143
364,298	875,652	108,320	14,831	671,629	4,635	-	-	29,771,200	30,570,615
1,389	8,416	-	-	-	-	-	-	-	1,239,960
35,550	68,600	-	-	-	-	-	37,643	-	47,448
-	-	-	-	-	-	-	-	-	104,150
3,004	-	-	-	-	-	-	438,855	-	438,855
113,244	171,469	-	-	-	-	-	135,741	-	3,004
1,392	36,733	-	-	-	-	-	38,354	-	420,454
579,076	2,132,726	157,886	23,669	683,446	4,635	-	2,023,107	30,212,948	35,817,493

Excess / (Deficiency) of revenue over expenditure

\$ 450,146	\$ 990,612	\$ (523)	\$ (1,955)	\$ 3,825	\$ 101	\$ 194,120	\$ (154,540)	\$ 1,481,786
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Special Areas Trust Account

FINANCIAL STATEMENT

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Independent Auditor's Report

To the Minister of Municipal Affairs and the Chair of the Special Areas Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2016, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

April 25, 2017

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 38,097,061	\$ 39,369,846
Accounts receivable (Note 4)	4,167,818	4,159,351
Notes receivable (Note 5)	10,566,785	12,424,111
Due from Province of Alberta (Note 6)	258,112	565,750
Due from Government of Canada	338,839	-
Taxes receivable (Note 7)	703,880	921,428
	<u>54,132,495</u>	<u>57,440,486</u>
Investments (Schedule 1)	29,358,818	28,835,804
Total Financial Assets	<u>83,491,313</u>	<u>86,276,290</u>
Liabilities		
Accounts payable and accruals	2,997,341	3,169,510
Vacation accruals	1,155,108	1,055,534
Deferred revenues	441,891	392,119
Deferred government grant revenue (Note 8)	1,202	357,879
Due to Province of Alberta (Note 6)	786,900	385,695
	<u>5,382,442</u>	<u>5,360,737</u>
Long-term debt (Note 9)	7,811,101	10,401,659
Provision for gravel pit reclamation (Note 10)	2,537,000	2,537,000
Total Liabilities	<u>15,730,543</u>	<u>18,299,396</u>
Net Financial Assets (Schedule 3)	67,760,770	67,976,894
Non-financial assets		
Prepaid assets	121,486	119,902
Tangible capital assets (Schedule 6)	220,190,231	216,873,228
Inventory (Note 11)	6,907,658	6,582,881
	<u>227,219,375</u>	<u>223,576,011</u>
Accumulated Surplus (Note 12)	<u>\$ 294,980,145</u>	<u>\$ 291,552,905</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		2015
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 13)		
Revenues			
Taxation			
Power and pipeline	\$ 37,780,433	\$ 36,088,267	\$ 38,049,886
Real property	12,588,837	12,652,646	12,609,332
Grazing and cultivation	737,321	734,559	737,321
Penalties and costs on taxes	423,000	173,042	489,648
	<u>51,529,591</u>	<u>49,648,514</u>	<u>51,886,187</u>
Less requisitions and bad debt (Note 14)	(17,675,591)	(18,577,537)	(17,867,144)
Net taxes for municipal purposes	<u>33,854,000</u>	<u>31,070,977</u>	<u>34,019,043</u>
Leases (Note 15)	9,961,795	9,738,391	8,896,998
Government transfers for operating (Note 16)	7,393,873	7,150,247	5,556,403
Government transfers for capital (Note 16)	2,073,317	2,073,317	2,006,615
Interest	1,341,756	1,263,997	1,484,517
Tax recovery land sales	740,000	476,861	2,972,773
Other revenue (Note 17)	2,103,800	3,142,767	2,514,896
Total revenues	<u>57,468,541</u>	<u>54,916,557</u>	<u>57,451,245</u>
Expenses			
Transportation services	23,138,723	24,490,762	26,170,928
Water and sanitation services	5,723,265	5,648,736	3,094,808
Administrative services	5,563,295	5,261,608	4,932,992
Agriculture and community development	2,781,831	2,625,845	2,376,877
Recreational and cultural services	2,682,417	2,592,452	2,253,015
Protective services	1,796,288	2,325,426	1,926,340
Industrial tax transfers	580,000	580,000	580,000
(Gain) loss on sale of capital assets	100,000	(13,095)	61,971
Amortization	7,702,078	7,977,583	7,845,891
Total expenses (Note 18)	<u>50,067,897</u>	<u>51,489,317</u>	<u>49,242,822</u>
Excess of revenues over expenses	\$ 7,400,644	\$ 3,427,240	\$ 8,208,423
Accumulated surplus at beginning of year	<u>291,552,905</u>	<u>291,552,905</u>	<u>283,344,482</u>
Accumulated surplus at end of year	<u>\$ 298,953,549</u>	<u>\$ 294,980,145</u>	<u>\$ 291,552,905</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		2015
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 13)		
Excess of revenue over expenses	\$ 7,400,644	\$ 3,427,240	\$ 8,208,423
Acquisition of tangible capital assets	(8,489,520)	(6,380,661)	(9,337,450)
Construction of roads and road surfaces	(9,388,067)	(5,289,039)	(4,590,535)
(Gain) loss on sale of tangible capital assets	100,000	(13,095)	61,971
Proceeds on disposal of tangible capital assets	757,100	388,209	387,697
Amortization of tangible capital assets	7,702,078	7,977,583	7,845,891
Change in prepaid assets	-	(1,584)	22,971
Change in inventory	-	(324,777)	(262,605)
Increase in net financial assets	(1,917,765)	(216,124)	2,336,363
Net financial assets, beginning of year	67,976,894	67,976,894	65,640,531
Net financial assets, end of year	\$ 66,059,129	\$ 67,760,770	\$ 67,976,894

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Operating activities:		
Excess of revenues over expenses	\$ 3,427,240	\$ 8,208,423
Amortization of investment premiums, less discounts	262,794	258,706
Gain on sale of investments	(30,179)	(110,365)
Amortization of tangible capital assets	7,977,583	7,845,891
Amortization relating to self-constructed assets	(1,730,978)	(1,821,585)
(Gain) loss on sale of tangible capital assets	(13,095)	61,971
Increase in provision for gravel pit reclamation	-	126,000
	<u>9,893,365</u>	<u>14,569,041</u>
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(10,051)	(221,641)
Due from Province of Alberta	307,638	233,161
Due from Government of Canada	(338,839)	-
Taxes receivable	217,548	(29,906)
Accounts payable and accruals	(72,595)	570,982
Deferred revenues	49,772	82,944
Deferred government grant revenue	(356,677)	350,000
Due to Province of Alberta	401,205	(309,425)
Inventory	(324,777)	(262,605)
	<u>(126,776)</u>	<u>413,510</u>
Cash provided by operating activities	<u>9,766,589</u>	<u>14,982,551</u>
Capital activities:		
Proceeds of sale of tangible capital assets	388,209	387,697
Purchase of tangible capital assets	(9,938,722)	(12,106,400)
Cash applied to capital activities	<u>(9,550,513)</u>	<u>(11,718,703)</u>
Investing activities:		
Net change in notes receivable	1,857,326	1,503,812
Proceeds from redemption of investments	11,517,201	27,395,036
Purchase of investments	(12,272,830)	(28,214,811)
Cash provided by investing activities	<u>1,101,697</u>	<u>684,037</u>
Financing activities:		
Long term debt repaid	(2,590,558)	(2,498,210)
Cash applied to financing activities	<u>(2,590,558)</u>	<u>(2,498,210)</u>
(Decrease) increase in cash and cash equivalents	<u>(1,272,785)</u>	<u>1,449,675</u>
Cash and cash equivalents at the beginning of year	<u>39,369,846</u>	<u>37,920,171</u>
Cash and cash equivalents at the end of year	<u>\$ 38,097,061</u>	<u>\$ 39,369,846</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation and grazing) and are due and payable at the beginning of the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statement of Financial Position. Approximately 0.946 million acres of tax recovery land remains unsold as at December 31, 2016 (2015 - 0.957 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Board, is not valued for financial statement purposes. This consists of approximately 1.575 million acres (2015 - 1.575 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2016, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2015 - 0.012 million acres) and are not recorded in the Statement of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful taxes and accounts receivable, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

(e) Contaminated Site Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post remediation including operation, maintenance and monitoring.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 (f) Financial Instruments

(cont'd) Cash and cash equivalents, accounts receivable, notes receivable, taxes receivable, amounts due to/from Province of Alberta, vacation accruals and accounts payable are measured at cost.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts are measured at amortized cost.

The fair value of investments are disclosed on Schedule 1.

(g) Requisition over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(h) Investments

Investments are valued at amortized cost adjusted for the applicable amortization of discount or premium using the effective interest method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

(i) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

(j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met, and reasonable estimates of the amounts can be determined.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 (k) Non-financial Assets

(cont'd) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following year.

Inventory

Inventory is valued at the lower of cost or net replacement value. Costs for all inventory is determined by using the first-in-first-out method with the exception of parts inventory, which is valued by using the average costing method.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets

Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having a useful life greater than one year are shown at net book value. Recognition thresholds for these assets are \$10,000 for engineered structures or third party software development and \$2,500 for all other categories. Purchased land and all other off the shelf electronic data processing equipment are all capitalized.

The Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 (k) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	<u>Annual Amortization</u>			<u>Estimated Salvage Value</u>
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 and Thereafter</u>	
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Note 3 Cash and cash equivalents

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2016, the Board's portfolio of securities held by the Fund had an average effective yield of 0.87% per annum (2015 - 0.93% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of \$212,103 (2015 - \$139,572), are comprised of the following:

	<u>2016</u>	<u>2015</u>
Current:		
From sale of tax recovery land and related mineral surface leases	\$ 362,494	\$ 393,370
Accrued interest	<u>54,974</u>	<u>74,019</u>
	417,468	467,389
Leases	358,221	242,510
Agreement for sale of fixed assets	343,843	-
Oil well drilling	200,225	42,427
Parks permit receivable	136,498	136,498
Accrued interest on investments	76,263	80,664
Local improvement recoveries	71,816	70,393
Sheerness deadfish irrigation	36,005	50,694
Miscellaneous	<u>136,319</u>	<u>155,958</u>
	\$ 1,776,658	\$ 1,246,533
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 2,182,304	\$ 2,659,302
Local improvement recoveries	208,856	252,599
Other	-	917
	<u>\$ 2,391,160</u>	<u>\$ 2,912,818</u>
	<u>\$ 4,167,818</u>	<u>\$ 4,159,351</u>

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 6% per annum is applied to tax recovery land sales that commenced in 2004. Sales revenue is recognized when the agreement is signed and first payment is received. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	<u>2016</u>	<u>2015</u>
Current:		
Acadia Foundation	\$ 2,560,281	\$ 2,468,874
Acadia Foundation - accrued interest	14,139	18,107
	<u>2,574,420</u>	<u>2,486,981</u>
Hanna Medical Centre	270,627	-
Big Country Waste Management Commission	157,733	155,529
Neutral Hills Child Care Society	56,200	27,281
Other	19,660	44,582
	<u>\$ 3,078,640</u>	<u>\$ 2,714,373</u>
Non-current:		
Acadia Foundation	\$ 6,195,310	\$ 8,755,590
Association of Consort & District Seniors Centre	545,000	-
Big Country Waste Management Commission	486,738	644,471
Neutral Hills Child Care Society	193,800	222,719
Other	67,297	86,958
	<u>\$ 7,488,145</u>	<u>\$ 9,709,738</u>
	<u>\$ 10,566,785</u>	<u>\$ 12,424,111</u>

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds were advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2015 - 3.14% to 5.00%). Semi-annual payments totaling \$2,859,730 (2015 - \$2,859,730) were made in June and December. Interest revenue recognized as a result of this loan in 2016 was \$386,888 (2015 - \$475,131).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 Notes Receivable

(cont'd) The Big Country Waste Management Commission note is a result of the board entering into a memorandum of understanding to advance funds to complete a new landfill cell construction at Youngstown. Repayment is based on the issuance of an unsecured interest bearing note of a 5 year term at 1.417% interest.

The amount owed by the Hanna Medical Centre is a result of the board taking the lead in the renovation of the doctor's clinic. Repayment will be made in 2017 through their regular requisition.

The Neutral Hills Child Care Society note is a result of the board entering into a memorandum of understanding to advance funds to complete a new daycare building in Consort. Repayment is based on the issuance of an unsecured interest bearing note of a 15 year term at 3.00% interest.

The amount owed by the Association of Consort & District Seniors Centre is a result of the board entering into a memorandum of understanding to advance funds to complete a new community centre at Consort. Repayment terms will be determined when the project is completed in 2017.

Principal repayments on long-term receivable are estimated as follows:

2018	2,821,073
2019	2,014,364
2020	852,685
2021	279,413
Thereafter	1,520,610
	<u>\$ 7,488,145</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6 Due from Province of Alberta

The net amount due from (to) the Province of Alberta is comprised of the following:

	<u>2016</u>	<u>2015</u>
Due from Province of Alberta:		
Municipal Affairs	\$ 96,284	\$ 272,024
Service Alberta	62,815	231,458
Transportation	20,775	17,291
Environment and Parks	78,238	44,977
	<u>258,112</u>	<u>565,750</u>
Due to Province of Alberta:		
Environment and Parks	(398,369)	(277,725)
Infrastructure	(218,000)	-
Other	(170,531)	(107,970)
	<u>(786,900)</u>	<u>(385,695)</u>
Due (to) from Province of Alberta	<u>\$ (528,788)</u>	<u>\$ 180,055</u>

Note 7 Taxes Receivable

	<u>2016</u>	<u>2015</u>
Current taxes	\$ 783,611	\$ 1,678,559
Under levy	17,280	34,125
Tax arrears	358,200	2,183,736
	<u>1,159,091</u>	<u>3,896,420</u>
Less allowance for doubtful accounts:	<u>(455,211)</u>	<u>(2,974,992)</u>
	<u>\$ 703,880</u>	<u>\$ 921,428</u>

Note 8 Deferred Government Grant Revenue

	<u>2016</u>	<u>2015</u>
Agriculture and Forestry	\$ 771	\$ 7,879
Human Services	431	-
Municipal Affairs	<u>-</u>	<u>350,000</u>
	<u>\$ 1,202</u>	<u>\$ 357,879</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 Long-Term Debt

	<u>2016</u>	<u>2015</u>
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$263,223, including fixed interest at 4.39%, due June 2018	\$ 756,261	\$ 1,233,775
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$251,377, including fixed interest at 4.01%, due December 2018	957,037	1,407,787
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$493,631, including fixed interest at 3.34%, due December 2019	2,795,909	3,667,749
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$298,660, including fixed interest at 3.51%, due June 2020	1,951,108	2,466,250
Alberta Capital Finance Authority loan, repayable in semi-annual installments of \$162,114, including fixed interest at 3.14%, due June 2021	<u>1,350,786</u> 7,811,101	<u>1,626,098</u> 10,401,659
Less: current portion	<u>2,686,368</u>	<u>2,590,558</u>
	<u><u>\$ 5,124,733</u></u>	<u><u>\$ 7,811,101</u></u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 Long-Term Debt

(cont'd) Principal repayments on long-term debt in each of the next five years are estimated as follows:

2017	2,686,368
2018	2,522,549
2019	1,837,220
2020	605,356
2021	159,608
	<u>\$ 7,811,101</u>

Interest on long-term debt for 2016 amounted to \$343,348 (2015 - \$435,881).

The total cash payments for interest in 2016 were \$347,452 (2015 - \$439,837).

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act*.

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2016 it was estimated that 845,690 cubic meters (2015 - 906,162 cubic meters) of gravel pits were exposed for a total liability of \$2,537,000 (2015 - \$2,537,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Inventory

	2016			2015
	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,619,220	\$ 29,536	\$ 1,589,684	\$ 1,483,215
Gravel	4,778,511	-	4,778,511	4,755,070
Culverts	96,757	-	96,757	61,442
Fuel	278,015	-	278,015	111,102
Fencing	58,417	-	58,417	85,378
Chemicals and other	106,274	-	106,274	86,674
Inventory	<u>\$ 6,937,194</u>	<u>\$ 29,536</u>	<u>\$ 6,907,658</u>	<u>\$ 6,582,881</u>

Note 12 Accumulated Surplus

Accumulated Surplus consists of equity in tangible capital assets, unrestricted amounts and internally restricted as follows:

	2016	2015
Equity in tangible capital assets	\$220,190,231	\$216,873,228
Equity in inventory	6,907,658	6,582,881
Unrestricted operational surplus	13,504,876	14,152,341
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	<u>54,377,380</u>	<u>53,944,455</u>
Total Accumulated Surplus (Schedule 4)	<u>\$294,980,145</u>	<u>\$291,552,905</u>

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 13 Budget

The 2016 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2016. The budget was prepared on a cash basis. A reconciliation to that basis is as follows:

	2016		2015
	Budgeted	Actual	Actual
Excess of revenues over expenses	\$ 7,400,644	\$ 3,427,240	\$ 8,208,423
Acquisition of tangible capital assets	(8,489,520)	(6,380,662)	(9,337,450)
Construction of road and road surfaces	(9,388,067)	(5,289,039)	(4,590,535)
Net transfers to capital	-	-	-
Loss on sale of tangible capital assets	100,000	(13,095)	61,971
Proceeds on disposal of tangible capital assets	757,100	388,209	387,698
Amortization of tangible capital assets	7,702,078	7,977,583	7,845,891
	(1,917,765)	110,236	2,575,998
Tax Recovery Land Sales - transferred to internally restricted reserves (Schedule 4)	(660,000)	(432,925)	(2,837,452)
(Deficit, as per Budget)	\$ (2,577,765)	\$ (322,689)	\$ (261,454)

Note 14 Requisitions and Bad Debt

	2016	2015
Alberta School Foundation Fund	\$ 12,890,303	\$ 12,736,190
Seniors Foundation	4,229,632	4,234,716
Bad Debt	1,457,602	896,238
	<u>\$ 18,577,537</u>	<u>\$ 17,867,144</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 15 Leases

	<u>2016</u>	<u>2015</u>
Mineral surface leases	\$ 3,273,835	\$ 3,331,853
Equipment rentals	1,994,315	2,070,709
Grazing leases	2,822,444	1,885,297
Community pastures	702,301	649,751
Cultivation leases	391,369	415,642
Miscellaneous leases	121,425	132,082
Easements	92,858	128,828
Rights of entry	94,801	98,145
Other	245,043	184,691
	<u>\$ 9,738,391</u>	<u>\$ 8,896,998</u>

Note 16 Government Transfers

	<u>2016</u>	<u>2015</u>
Transfers for operating:		
Municipal Affairs	\$ 4,437,982	\$ 3,065,359
Transportation	1,551,720	1,551,720
Agriculture and Forestry	756,604	499,496
Human Services	176,500	158,501
Infrastructure	223,328	227,970
Culture and Tourism	4,113	53,357
	<u>\$ 7,150,247</u>	<u>\$ 5,556,403</u>
Transfers for capital:		
Municipal Affairs	<u>\$ 2,073,317</u>	<u>\$ 2,006,615</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 17 Other Revenue

	<u>2016</u>	<u>2015</u>
Licence, assignment and application fees	\$ 579,759	\$ 824,456
Park permits and concession revenues	592,824	628,817
Water sales	269,376	243,550
Oil well drilling tax revenue	533,904	181,250
Fire cost recoveries	81,480	104,870
Cost recoveries	502,284	78,788
Gravel sales	212,858	70,943
Bylaw enforcement cost recoveries	61,452	53,558
Other	308,830	328,664
	<u>\$ 3,142,767</u>	<u>\$ 2,514,896</u>

Note 18 Total Expenses

Total expenses for the year is analyzed by object as follows:

	<u>2016</u>	<u>2015</u>
Manpower (Schedule 2)	\$ 18,817,151	\$ 18,105,369
Materials, goods, and utilities	14,327,785	16,050,674
Contract and general services	11,887,289	8,538,623
Amortization of tangible capital assets	7,977,583	7,845,891
Grants	1,873,627	1,540,077
Industrial tax transfers	580,000	580,000
Interest on long-term debt	343,348	435,881
Goods and services from Alberta Government departments		
Alberta Environment		
Special Areas Water Supply Project	460,692	203,451
Alberta Treasury Board & Finance		
Risk Management	288,650	280,936
Investment fees	20,117	20,464
Alberta Municipal Affairs		
Linear assessment	110,544	113,564
Government Services	20,197	27,561
(Gain) loss on sale of tangible capital assets	(13,095)	61,971
Provision for doubtful accounts	84,468	28,895
Less:		
Internal road projects capitalized in the year	<u>(5,289,039)</u>	<u>(4,590,535)</u>
	<u>\$ 51,489,317</u>	<u>\$ 49,242,822</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 18 Total Expenses

(cont'd) Included in manpower, materials, goods and utilities and contract and general services, are \$9,609,972 of expenses (2015 - \$10,080,304). These expenses were incurred in the normal course of road construction and road surfacing work performed on secondary highways that are the property of the Department of Transportation.

Note 19 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$ 79,264,860	\$ 83,166,945
Total debt	<u>7,811,101</u>	<u>10,401,659</u>
Amount of debt limit unused	<u>\$ 71,453,759</u>	<u>\$ 72,765,286</u>
Debt servicing limit	\$ 13,210,810	\$ 13,861,158
Debt servicing	<u>2,938,010</u>	<u>2,938,010</u>
Amount of debt servicing limit unused	<u>\$ 10,272,800</u>	<u>\$ 10,923,148</u>

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 20 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 18.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 21 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 11.70% up to the CPP threshold of \$52,500, and 16.72% thereafter. The Board's contribution to the MEPP is 21.85% up to the Salary Cap of \$138,500.

Total current contributions by the Board in 2016 to the PSPP were \$962,171 (2015 - \$892,630) and to the MEPP were \$213,058 (2015 - \$211,867).

At December 31, 2015, the PSPP reported a deficit of \$133,188,000 (2014 deficit - \$803,299,000) and the MEPP reported a surplus of \$299,051,000 (2014 surplus - \$75,805,000).

The Board is not responsible for future funding of the plan deficit other than through contribution increases.

Note 22 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately \$70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditures of that Ministry.

Note 23 Comparative Figures

Certain 2015 figures have been reclassified to conform to 2016 presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2016

Schedule 1

	Stated Interest Rate	Effective Interest Rate	Maturity Date	2016		2015
				Par Value	Book Value	
Bonds:						
Bank of Montreal	2.430%	2.435%	March 4, 2019	\$ 740,000	\$ 755,371	\$ 739,986
Bank of Nova Scotia	2.462%	2.462%	March 14, 2019	500,000	510,872	500,000
Canada Housing Trust	2.050%	1.590%	June 15, 2017	370,000	372,396	372,179
Canada Housing Trust	1.700%	1.730%	December 15, 2017	-	-	-
Canada Housing Trust	1.750%	0.842%	June 15, 2018	1,250,000	1,267,591	1,266,258
Canada Housing Trust	2.350%	0.783%	December 15, 2018	1,700,000	1,747,149	1,751,520
Canada Housing Trust	4.100%	2.479%	December 15, 2018	3,166,000	3,360,377	3,342,551
Canada Housing Trust	1.950%	1.629%	June 15, 2019	2,795,000	2,857,380	2,840,189
Canada Housing Trust	2.000%	1.681%	December 15, 2019	980,000	1,004,529	988,990
Canada Housing Trust	3.750%	1.207%	March 15, 2020	620,000	669,897	669,377
Canada Housing Trust	1.200%	1.114%	June 15, 2020	650,000	648,864	651,876
Canada Housing Trust	1.450%	1.278%	June 15, 2020	740,000	744,944	744,283
Canada Housing Trust	1.250%	1.153%	December 15, 2020	1,000,000	996,413	1,003,734
Canada Housing Trust	3.350%	1.073%	December 15, 2020	925,000	996,018	1,007,845
Canada Housing Trust	3.800%	1.371%	June 15, 2021	715,000	787,244	789,655
Canada Housing Trust	1.250%	1.025%	June 15, 2021	1,840,000	1,824,636	1,857,766
CPP Investment Board	1.400%	1.440%	June 4, 2020	1,500,000	1,497,276	1,498,067
Government of Canada	1.000%	0.658%	August 1, 2016	-	-	-
Government of Canada	1.500%	0.566%	March 1, 2017	205,000	205,328	205,325
Government of Canada	3.500%	1.027%	June 1, 2020	482,000	523,002	521,857
Government of Canada	3.250%	0.737%	June 1, 2021	800,000	874,098	887,000
Province of Ontario	2.100%	2.280%	September 8, 2018	1,000,000	1,018,695	997,203
Province of Ontario	2.100%	2.132%	September 8, 2019	1,700,000	1,739,129	1,718,450
Province of Quebec	4.500%	2.318%	December 1, 2018	3,280,000	3,495,820	3,429,838
Royal Bank of Canada	3.040%	2.995%	July 17, 2024	-	-	-
Royal Bank of Canada	2.990%	2.155%	December 6, 2024	760,000	784,376	774,717
TD Bank	2.447%	2.447%	April 2, 2019	800,000	817,393	800,000
				28,518,000	29,498,798	29,358,666
Hanna and District Medical Corporation			(2 Shares)	2	2	2
Alberta Capital Finance Authority			(15 Shares)	150	150	150
				\$ 28,518,152	\$ 29,498,950	\$ 29,358,818
						\$ 28,835,804

Notes:

- The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments.

- The Board does not hold equities in an active market nor engage in derivative contracts or foreign currency transactions.

**SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016				2015	
	Number of Individuals (a)	Salary (b) \$	Other Cash Benefits (c) \$	Other Non-cash Benefits (d) \$	Number of Individuals	Total
Chair of the Special Areas Board (e)	1	143,985	-	38,955	142	276,513
Special Areas Board members	3	32,928	-	2,666	3	35,267
Director of Finance and Administration	1	133,318	-	37,850	1	184,313
Director of Municipal Services	1	131,866	-	37,493	1	173,630
Director of Properties Administration	1	115,758	-	36,000	1	146,987
Roads & Equipment Superintendent	1	107,152	-	32,220	1	143,799
Managers (f)	3.25	346,938	-	103,339	3	429,873
Other full time staff (g)	110.25	8,250,853	-	1,913,154	106	9,646,323
Part time and casual wage staff		6,341,816	-	736,432		7,005,372
Other Boards and committees		25,070	-	1,903		24,321
Advisory Councillors	13	37,861	-	6,849	13	46,046
Overtime accrual		103,171				(7,075)
Increase (decrease) in vacation accrual		99,574	-	-		\$ 18,105,369
		\$ 15,870,290	\$ -	\$ 2,946,861		\$ 18,817,151

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
- (b) Salary includes pensionable base pay and honoraria.
- (c) Other cash benefits includes lump sum payments and vacation payouts. There were no bonuses paid in 2016.
- (d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance, tuition and long and short-term disability plan.
- (e) The Chair position was occupied by two individuals during 2015. From January to May 2015 there was an Acting Chair in place.
- (f) Average salary is \$106,750 and average benefits (column c & d) are \$31,797 totaling \$138,547 (2015 - \$143,291).
- (g) Average salary is \$74,838 and average benefits are \$17,353 totaling \$92,191 (2015 - \$91,003).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2016

	<u>Schedule 3</u>	
	<u>2016</u>	<u>2015</u>
Change in Financial Assets		
Cash and cash equivalents	\$ (1,272,785)	\$ 1,449,675
Accounts receivable	8,467	244,612
Notes receivable	(1,857,326)	(1,503,812)
Due from Province of Alberta	(307,638)	(233,161)
Due from Government of Canada	338,839	-
Taxes receivable	(217,548)	29,906
	<u>(3,307,991)</u>	<u>(12,780)</u>
Investments	<u>523,014</u>	<u>671,434</u>
(Decrease) Increase in Financial Assets	<u>(2,784,977)</u>	<u>658,654</u>
Change in Liabilities		
Accounts payable and accruals	172,169	(578,057)
Vacation accrual	(99,574)	7,075
Deferred revenues	(49,772)	(82,944)
Deferred government grant revenue	356,677	(350,000)
Due to Province of Alberta	(401,205)	309,425
	<u>(21,705)</u>	<u>(694,501)</u>
Long-term debt	2,590,558	2,498,210
Provision for gravel pit reclamation	<u>-</u>	<u>(126,000)</u>
Increase in Liabilities	<u>2,568,853</u>	<u>1,677,709</u>
Net increase in net financial assets	(216,124)	2,336,363
Net financial assets at the beginning of year	<u>67,976,894</u>	<u>65,640,531</u>
Net financial assets at end of year	<u><u>\$ 67,760,770</u></u>	<u><u>\$ 67,976,894</u></u>

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 4

	2016		2015
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 13)		
Equity in capital assets at beginning of year		\$ 216,873,228	\$ 211,240,802
Addition of capital assets:			
Transportation services	3,879,300	3,163,978	4,661,970
Road infrastructure	9,388,067	5,289,039	4,590,535
Water and sanitation services	1,120,000	343,117	1,950,445
Administrative services	2,525,820	2,092,155	1,593,447
Recreation and cultural services	387,000	277,219	464,635
Protective services	377,000	388,344	413,613
Agriculture and community pasture services	200,400	115,848	253,340
	<u>17,877,587</u>	<u>11,669,700</u>	<u>13,927,985</u>
Annual amortization of capital assets		(7,977,583)	(7,845,891)
Disposal of capital assets		(375,114)	(449,668)
		<u>220,190,231</u>	<u>216,873,228</u>
Debt retired in the year		-	-
Equity in capital assets at end of year (Note 12)		\$ <u>220,190,231</u>	\$ <u>216,873,228</u>
Equity in inventory at beginning of year		\$ 6,582,881	\$ 6,320,276
Add purchases and other inventory costs		6,014,534	5,746,865
Deduct requisitions		(5,689,757)	(5,484,260)
Equity in inventory at end of year (Note 11, 12)		\$ <u>6,907,658</u>	\$ <u>6,582,881</u>
Accumulated operational surplus at beginning of year		\$ 14,152,341	\$ 14,676,401
Excess of revenues over expenses		3,427,240	8,208,423
Equity change in capital assets and inventory		(3,641,780)	(5,895,031)
		<u>13,937,801</u>	<u>16,989,793</u>
Transfers to internally restricted reserves (Note 13)		(432,925)	(2,837,452)
Accumulated operational surplus at end of year (Note 12)		\$ <u>13,504,876</u>	\$ <u>14,152,341</u>
Internally restricted accumulated surplus at beginning of year		\$ 53,944,455	\$ 51,107,003
Tax Recovery Land Sales - Transfers from operations		432,925	2,837,452
Internally restricted accumulated surplus at end of year (Note 12)		\$ <u>54,377,380</u>	\$ <u>53,944,455</u>
		\$ <u>294,980,145</u>	\$ <u>291,552,905</u>

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT REVENUE AND EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016					Total
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services
Revenue:						
Taxation	\$ 31,070,977	\$ -	\$ -	\$ -	\$ -	\$ 31,070,977
Leases	7,041,775	-	1,990,665	-	705,951	9,738,391
Provincial Grants	7,108	454,000	5,231,901	2,114,812	499,496	8,311,430
Interest	1,263,997	-	-	-	-	1,263,997
Federal Grants	-	-	242,555	669,579	-	912,134
Tax Recovery Land Sales	476,861	-	-	-	-	476,861
Other	1,378,718	398,675	222,448	506,799	42,538	3,142,767
Revenues per statement of operations	\$ 41,239,436	\$ 852,675	\$ 7,687,569	\$ 3,291,190	\$ 1,247,985	\$ 597,702
						\$ 54,916,557
Expenditures:						
Manpower (Schedule 2)	\$ 3,121,296	\$ 456,180	\$ 12,476,620	\$ 723,933	\$ 1,449,783	\$ 589,339
Materials, goods, and utilities	190,865	101,190	13,022,947	184,353	389,216	439,214
Contract and general services	1,028,321	1,768,056	4,278,234	4,076,425	523,503	212,750
Grants	72,824	-	2,000	203,333	244,321	1,351,149
Interest on long-term debt	343,348	-	-	-	-	343,348
Goods and services from GOA	420,486	-	-	460,692	19,022	900,200
Provision for doubtful accounts	84,468	-	-	-	-	84,468
Internal road projects capitalized in the year	-	-	(5,289,039)	-	-	(5,289,039)
Industrial tax transfers	580,000	-	-	-	-	580,000
Gain on sale of tangible capital assets	-	-	(13,095)	-	-	(13,095)
Amortization of tangible capital assets	652,905	587,016	6,205,744	320,119	96,550	115,249
Expenditures per statement of operations	\$ 6,494,513	\$ 2,912,442	\$ 30,683,411	\$ 5,968,855	\$ 2,722,395	\$ 2,707,701
						\$ 51,489,317

Note:

- The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 2.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2016

Cost	Mobile equipment	and engineered structures	Automotive equipment	Machinery and equipment	Land	Road infrastructure	EDP equipment	2016	2015
Balance, beginning of the year	\$37,966,767	\$28,253,572	\$21,081,207	\$5,678,838	\$1,313,520	\$199,542,424	\$4,340,944	\$298,177,272	\$285,123,082
Add:									
Additions during the year	2,042,583	2,694,943	955,089	517,183	-	5,289,039	170,863	11,669,700	13,927,985
Less:									
Disposals during the year	(441,389)	(52,568)	(783,383)	(158,450)	-	-	-	(1,435,790)	(873,795)
Balance, end of the year	\$39,567,961	\$30,895,947	\$21,252,913	\$6,037,571	\$1,313,520	\$204,831,463	\$4,511,807	\$308,411,182	\$298,177,272
Accumulated Amortization									
Balance, beginning of the year	\$10,528,500	\$7,533,947	\$13,741,570	\$2,805,894	\$141,805	\$43,258,864	\$3,293,464	\$81,304,044	\$73,882,280
Add:									
Amortization	1,930,086	747,621	1,531,871	315,580	-	2,960,425	492,000	7,977,583	7,845,891
Depletion	-	-	-	-	-	-	-	-	-
Less:									
Accumulated Amortization on Disposals	(257,248)	(10,514)	(694,677)	(98,237)	-	-	-	(1,060,676)	(424,127)
Balance, end of the year	\$12,201,338	\$8,271,054	\$14,578,764	\$3,023,237	\$141,805	\$46,219,289	\$3,785,464	\$88,220,951	\$81,304,044
Net book value, 2016	\$27,366,623	\$22,624,893	\$6,674,149	\$3,014,334	\$1,171,715	\$158,612,174	\$726,343	\$220,190,231	
Net book value, 2015	\$27,438,267	\$20,719,625	\$7,339,637	\$2,872,944	\$1,171,715	\$156,283,560	\$1,047,480		\$216,873,228

Note:

- Engineered structures comprise of dams, water/wastewater lines, buildings and engineered structures assets. The ending balance includes \$414,695 in assets that were under construction at year-end (2015 - \$1,723,382); no related amortization was recorded.

Annual Report Extracts and Other Statutory Reports

Statement regarding the *Public Interest Disclosure Act*

The *Public Interest Disclosure Act* requires the Minister of Municipal Affairs to report annually on the following parts of the Act.

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

32(1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

- (a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of disclosures;
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available on request.

There were no disclosures of wrongdoing filed with the Public Interest Disclosure Office for the Ministry of Municipal Affairs between April 1, 2016 and March 31, 2017. An investigation report was concluded on a file that was started in the previous fiscal year, with the conclusion that there was no wrongdoing.

